Austria	Sch 20	Indonesia	Rp 3100	Philippines	Pes 20
Bahrain	Din 0.650	Israel	IS 3.50	Portugal	Esc 100
Belgium	BFr 45	Italy	L 1800	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y 180	Singapore	S$4.10
Cyprus	CC0.75	Jordan	Fils 500	Spain	Pta 125
Denmark	DKr 9.00	Kuwait	Fils 500	Sri Lanka	Rupees 20
Egypt	E£1.50	Lebanon	£L 25.00	Sweden	SKr 8.00
Finland	Fmk 7.00	Luxembourg	LFr 45	Switzerland	SFr 2.20
France	FFr 6.50	Malaysia	Rm 4.25	Taiwan	NT $85
Germany	DM 2.20	Mexico	Pes 300	Tunisia	Din 1.375
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U.A.E.	Dh 6.50
India	Rup. 15	Norway	Nkr. 7.00	U.S.A.	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,129 — Friday January 9 1987 — D 8523 B

France: suddenly anything is possible, Page 19

World news

Beirut shelling wrecks airliner

A salvo of shells hit Beirut airport, wrecking a Boeing 707 owned by Middle East Airlines and subsequent artillery fire killed at least six people in the Christian eastern sector.

Smoke billowed over the airport after three shells hit the airliner, valued at $4m. Three women cleaners who were on board fled to safety. Hundreds of panic-stricken passengers inside the terminal and airport workers ran for cover as windows shook during the hour-long blitz. Page 4

Chad accuses Libya

Libyan aircraft attacked the north-western oasis town of Zouar in the Tibesti mountains, Chad reported, but it gave no details of damage or casualties.

Attack foiled

Judge Jean-Louis Bruguiere, in charge of cases involving the French urban terrorist group Action Directe, escaped an attempt on his life when a policeman spotted a primed grenade near his apartment.

Reagan returns

President Ronald Reagan, given a clean bill of health following prostate surgery, left hospital after a four-day stay and returned to the White House.

Hanoi old guard stay

Vietnam's Communist Party has given President Truong Chinh, 79, Prime Minister Pham Van Dong, 80, and party organiser Le Duc Tho, 75, unexpected power and status only a month after they resigned from the ruling politburo. Page 4

Captives rescued

Security forces in Mozambique killed eight rebels and freed five women and six children they were holding captive, the country's official news agency reported.

Nicosia bombing

A bomb which exploded close to a Gulf Air office in Nicosia rocked a suburban area just north of the Cypriot city's main shopping centre. Police had already cordoned off the area and there were no casualties.

Evren unity call

Turkish President Kenan Evren called on politicians to unite against Islamic fundamentalism as university rectors rejected an attempt by extremists to enforce the wearing of headscarves by female Islamic students and staff. Page 3

Students angry

Several hundred African and Arab students marched through Peking in protest at an insulting letter which purported to come from a Chinese students' group. The authorities said no such group existed and the letter had been "concocted by troublemakers." Page 4

General discharged

Dutch Lieut-Gen Gerard Berkhof, 53, sacked from a senior Nato job last October after clashes with his West German superior, has been discharged from the Netherlands army because no suitable job was available for him, the Defence Ministry said.

Fewer Jews leave

The Soviet Union allowed only 914 Jews to emigrate in 1986, one of the lowest totals on record, according to the National Conference on Soviet Jewry in Washington.

Water hazard

A group of golfers fled for their lives on a course at Phalaborwa, South Africa, when two hippopotamuses bathing in a pool were disturbed by a mis-directed ball and cantered down a fairway.

Business summary

Dow Jones breaks 2000 barrier

DOW JONES industrial average broke through the 2000 barrier for the first time, closing 8.30 higher at 2002.25 amid continued support for blue chip stocks. Sharemarket report, Page 44

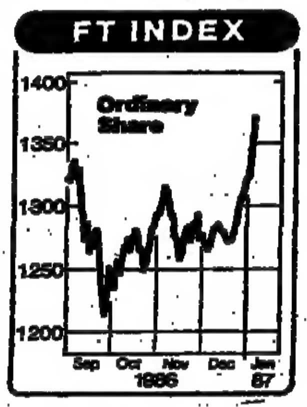
CARL ICAHN'S investment group said it has terminated its $8bn offer for USX Corporation and may choose to solicit proxies, according to an amendment to the group's filing with the Securities and Exchange Commission.

COLECO, US toy maker which created the Cabbage Patch doll, predicted large losses for both the fourth quarter and the whole of 1986 following a collapse in sales of the toy doll. Page 21

TOKYO: Blue chips, financials and drugs led share prices down further despite the advance on Wall Street on Wednesday night. The Nikkei average fell 63.63 to 18,778.74. Page 44

LONDON: Wider buying took shares to fresh highs although early gains were pared when Wall Street opened erratically. The FT-SE 100 index rose 10.9 to a record 1,733.1 while the FT Ordinary index was 19.5 higher at 1,372.5. Government bonds had a good day. Page 44

FT INDEX



AUSTRALIAN Associated Stock Exchanges said turnover value on the country's stock markets in 1986 jumped by 78 per cent to a record A$40.05bn from A$22.45bn in 1985. Volume rose by 54 per cent to a record 23.93bn shares from 15.54bn the previous year. World stock markets, Page 44

STERLING closed in New York at $1.4780. It rose in London to $1.4745 ($1.470); it also rose to Y233.25 (Y232.50); but fell to DM 2.8325 (DM 2.8350); to FFr 9.4375 (FFr 9.4475); an to SFr 2.3750 (SFr 2.3850). The pound's exchange rate index was unchanged at 68.8. Page 37

DOLLAR closed in New York at DM 1.9145, SFr 1.6035, FFr 6.37725 and Y157.55. It fell in London to DM 1.9205 (DM 1.9275); it also fell to FFr 6.40 (FFr 6.4225); to SFr 1.6105 (SFr 1.6205); but rose to Y158.20 (Y158.05). On Bank of England figures the dollar's exchange rate index fell to 108.1 from 108.2. Page 37

GOLD rose $1.25 to $401.25 on the London bullion market. It also rose in Zurich to $403.25 ($400.75). Page 36

BOND INTERNATIONAL, Australian entrepreneur Mr Alan Bond's newly listed company, has mounted a bid for a stake in HK-TVB, Hong Kong's leading television company, expected to be worth HK$14 ($1.78) a share, valuing the company at HK$5.88bn. Page 21

TAIWAN stocks hit fresh record with financials, chemicals and foods posting best gains. The Taipei stock exchange's weighted index rose 8.73 to a peak 1,084.54.

CIBA-GEIGY, Swiss chemical concern, last year failed to reach the high profits level reported for 1985 of SFr 1.47bn ($907m) due to foreign exchange movements and a fall in agro-chemical sales. Page 21

VENEZUELA's Government is set to make major investments in two new petrochemical plants and in a new ferrosilicate facility as part of attempts to boost exports. Page 21

KGB officer sacked for abuse of power

BY PATRICK COCKBURN IN MOSCOW

THE HEAD of the KGB Soviet security police, Mr Victor Chebrikov, has dismissed a senior KGB officer in the Ukraine for the false arrest of a journalist investigating corruption.

The action was revealed yesterday in an unprecedented announcement on the front page of the Communist Party daily newspaper Pravda by Mr Chebrikov. It is the first sign that the arbitrary powers of the KGB are to be curtailed as part of the drive by Mr Mikhail Gorbachev, the Soviet leader, to strengthen the civil rights of Soviet citizens.

The KGB officer dismissed is Mr A. Dichenko, who was accused of arranging the arrest, on false charges, last year of Mr V. Berkhin, a journalist in the Ukranian city of Voroshilovgrad. The Soviet reporter was investigating abuses of power by two local officials.

Mr Chebrikov's statement that an investigation had established that Mr Dichenko, described as the head of a KGB department in the Ukraine, has "assisted in instituting unfounded criminal proceedings" and subsequent arrest of Mr Berkhin by the police.

Mr Dichenko has now been "sacked from his job and dismissed from the KGB," Mr Chebrikov said, adding that the head of the KGB in the Ukraine, a Soviet republic which has a population of 50m, had been ordered to punish other KGB members involved in illegal activity in the Voroshilovgrad region. He said the KGB is "taking additional measures to ensure the strict observance of the law" in its activities.

Seventy sinister years of the KGB, Page 20

The swift and public dismissal of Mr Dichenko for breaking the law is also likely to help create a freer political atmosphere.

The authority of the KGB today is far less than the security police under Stalin, and the number of political prisoners is put at between 2,000 and 2,500 by Dr Roy Medvedev, the dissident historian. Nevertheless, most Soviet citizens have continued to feel vulnerable to the KGB's arbitrary use of power against which there has been no legally guaranteed redress.

In the case of Mr Berkhin, local correspondent for the magazine Soviet Miner, his arrest on a charge of hooliganism for almost two weeks last July followed his investigations into local abuses of power. Pravda was told by the region's deputy public prosecutor: "Dichenko called me and said it was necessary to decide the question of the arrest of Berkhin."

Mr Dichenko's swift and public removal means that the efforts of Mr Gorbachev to reduce the arbitrary exercise of Soviet state power and increase the civil and legal rights of the citizen have for the first time been seen to have reached the security apparatus. The degree of change to be expected is not clear, however.

Security in the Soviet Union is divided between the so-called militia or regular police and the KGB, the state security committee. Assisted by a network of informers, called "Stukachi", the KGB carries out surveillance of most aspects of the country's life.

Most ordinary Soviet citizens not marked down for special attention escape this surveillance, although they know it could be applied to them.

However, the influence of the KGB on politics and society within the Soviet Union, though far less le-

Continued on Page 20

EMS crisis steps up pressure on Italy, Denmark and Ireland

BY OUR FOREIGN AND FINANCIAL STAFF

THE CRISIS in the European Monetary System sparked by the collapse of the French franc spread yesterday to other currencies in the system.

The Italian lira began to slide, despite heavy intervention from the central bank, and the Irish punt joined the franc on its EMS floor, while Denmark's central bank had to raise interest rates for the second time this week to defend the krone, already under pressure for some time now.

Denmark pushed its money market intervention rate up by 1.75 percentage points to 12 per cent, after having raised it from 9 per cent to 10.25 per cent on Monday.

In Italy the central bank said it was "calmly awaiting events" despite apparently growing pressure on the lira-D-Mark rate. At yesterday's Milan fixing the D-Mark was quoted at L709.50 which was nearly L10 above the previous day's level. According to dealers, the central bank sold DM 282m to steady the rate later in the day after the D-Mark was being quoted at L710.36.

The Italian authorities are able to remain fairly relaxed about the EMS turmoil because the lira is still only just above its central rate against the D-Mark and some distance from its floor of L742.95.

The French Government, which precipitated the crisis earlier this week by allowing the franc to slide to its lowest permitted level against the D-Mark, yesterday kept up its pressure on West Germany to revalue its currency within the exchange rate mechanism of the EMS and stimulate its economy.

Mr Edouard Balladur, Minister of the Economy and Finance, said he was not satisfied with the workings of the EMS and that improvements were needed in the composition of member countries' foreign exchange reserves. He also called for greater use of the Ecu, the basket of European currencies.

But French Government officials also attempted to smooth their relations with West Germany. A spokesman for the Prime Minister, Mr Jacques Chirac, welcomed the rise yesterday in the dollar's exchange rate against the D-Mark and said that the West German Bundesbank had "done what it had to so that there should be no difficulties which might become dangerous."

The Finance Ministry feels the French franc's current position on its EMS floor of Ffr 3.3303 against the D-Mark is comfortable. It need not necessarily require costly intervention to support this level, and if intervention is needed the West German Bundesbank is compelled to join the Bank of France, which had earlier had to support the franc on its own.

Officials now believe a realignment of the EMS currencies is inevitable and it is too late for any other action, such as a cut in German interest rates, to have the desired effect.

In Paris, dealers expect a rapid solution which will allow short-term interest rates to fall again, and this allowed longer term yields to drop yesterday.

In Frankfurt, West German dealers said the day had been much quieter after the turbulent markets of the two previous days, but said the lira and the Danish krone had come under considerable selling pressure.

"We have probably oversold the market in the French franc for the moment," said one senior dealer, "but it could get extreme again tomorrow."

Dealers said central bank intervention in France and Germany had eased after heavy sales of more than DM 5bn on Wednesday. The Bundesbank's policy-making central council, meanwhile, decided at its first sitting of the year yesterday not to make any changes in its leading interest rates, which the French want lowered.

Looking ahead to the next EMS realignment it is clear that the Italian central bank is against changing the lire's central rate despite pressure from industry to match any devaluation of the French franc.

The bank does not believe that there are any sound competitive reasons for doing so and prefers the stimulus to efficiency to be derived from a modest pressure on export prices to France.

Meanwhile it also emerged that the Bank of Japan has been intervening heavily in foreign exchange markets this week to prevent a further appreciation of the yen against the dollar.

The intervention, on the New York and London markets as well as in Tokyo, is apparently aimed at preventing similar moves by European central banks from triggering a fall in the dollar's value against the yen.

Japanese officials suggested that the present turmoil on currency markets could lead to a meeting of the Group of Five finance ministers after the West German general election on January 25.

Currencies, Page 37

Britain and US agree landmark banking pact

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BANKS in Britain and the US will have to abide by the same minimum capital standards under proposals unveiled in a major new accord by banking supervisors in both countries yesterday.

Mr Robin Leigh-Pemberton, the Governor of the Bank of England, described them as "a landmark in international supervisory co-operation", and said he hoped other important financial centres in Japan, Canada and Europe would also join in.

The proposals reflect the growing desire for convergence of banking standards among both bankers and regulatory officials at a time when the banking industry is rapidly being merged into a single global marketplace. If they are carried through, they would make banking the first industry to be regulated on a global basis.

The accord is the result of a personal initiative by Mr Leigh-Pemberton and Mr Paul Volcker, the chairman of the Federal Reserve Board, at a meeting in London last summer. It also involves the two other major US banking agencies, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp.

The 20-page paper which forms the basis of the accord lays out an elaborate system for setting capital levels for banks using the risk-asset ratio. This is a measure of bank strength based on the relationship between the amount of capital a bank has and the riskiness of its exposures. It is widely used in Europe, including the UK, but has yet to be introduced in the US.

The paper defines capital, and prescribes risk weightings for a wide range of banking assets, from cash to loans. It also proposes capital rules for the fast-growing of balance sheet exposures now being accumulated by international banks. However it omits banks' swap and securities exposures, saying that more work will be needed before proposals covering these areas can be worked out.

There is now to be a three-month comment period, after which the banking authorities hope to introduce the new system as soon as possible. This will entail the publication of a common minimum capital standard for all US and UK banks, and the agreement of a specific, confidential standard for each individual bank.

Most banks will need capital well above the minimum, and implementation of the proposals could oblige some banks to raise more capital.

Although bankers have been pressing for common capital standards for reasons of international competitive equality, they reacted with mixed feelings to the proposals yesterday.

Mr Denis Child, chairman of the executive committee of the British Bankers Association, said bankers did not think that the use of capital ratios "can be an entirely mechanistic matter." But he welcomed the

Details, Pages 6 and 22

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BA issue switches emphasis to the big investor

By Richard Tomkins in London

THE British Government is to aim the flotation of British Airways, the state airline, firmly at experienced investors and London financial institutions.

This marks a switch from its policy dubbing previous sell-offs of widening share ownership among small investors.

Unveiling the pathfinder prospectus for British Airways' offer for sale yesterday, Mr John Moore, the Transport Secretary, indicated that he expected the issue to be taken up largely by those already invested in shares. "We are seeking not so much to broaden share ownership as to deepen it," he said.

Of the shares being issued, nearly 50 per cent will be firmly placed with UK institutions in advance of the flotation, 20 per cent will be allocated to investors in the US, Canada, Japan and Switzerland, and 10 per cent will be set aside for applications on concessionary terms by employees.

> The French Government has chosen Compagnie Générale d'Electricité (CGE) as the next large state industrial company to be privatised. Details, Page 20

That means that only a little over 20 per cent of the issue will be available to the UK public – although a clawback provision will increase that proportion to about 35 per cent at the expense of institutional and overseas investors if the UK public offering is subscribed more than three times.

In the British Gas flotation at the end of last year, 40 per cent of the shares were allocated to the UK public before clawback and 60 per cent afterwards.

Minimum entry costs to the British Airways flotation will be much higher than they were for British Gas. The minimum level of application will be for 400 shares compared with 100 for British Gas, and since the share price will be payable in only two instalments rather than three, the initial partly-paid price per share is likely to be higher.

Small investors have in any case been slow to respond to the marketing campaign. Mr Moore disclosed that only 250,000 people had so far applied for details of the offer for sale – a figure that compares with over 8m at the same stage of the British Gas flotation.

The way the offer has been oriented is being interpreted as a tacit acknowledgement by the Government that the British Airways

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Lex, Page 20

Japan refuses to make further cuts in taxes on spirit imports

BY CARLA RAPOPORT IN TOKYO

JAPAN is refusing to accede to requests from the EEC that it amend its plans to change its controversial tax system for imported spirits.

The Ministry of Finance in Tokyo has yet to respond officially to the European Commission's recent complaint about its plans. But officials in Tokyo said yesterday that it would be virtually impossible to make further changes in the comprehensive tax reform package to be presented to the Diet (parliament) by the end of this month or early in February.

The issue is becoming one of the most bitter disputes between the community and Japan and the EEC Commission confirmed yesterday that it intended to pursue it, alleging unfair discrimination under the General Agreement on Tariffs and Trade (Gatt).

Under the proposed tax reform bill, the taxes on imported spirits would be reduced, but not enough to allow them to become competitive with locally-produced spirits. For example, special and first grade whisky, which had attracted taxes of about Y2100 ($13.24) and Y1010 per litre respectively, will have a uniform taxation of Y1522 once the proposals come into effect. Most imported spirits will fall into this category.

Spirits with lower alcoholic content, which include most locally-made whisky, will fall into a new spirits category, attracting tax of just Y243 per litre, against Y362 per litre now. This category will cover drinks with 37 per cent alcohol content and lower.

Despite Europe's disappointment on Japan's stance in this sensitive issue, even the modest changes proposed so far will not take effect for another three years. According to a senior Government official, the abolition of the second grade class of whisky (it will become part of the new spirits category) "is considered a fatal blow to the existence" of domestic low-grade whisky makers.

In monetary terms, the issue is not a major one for either Japan or Europe. The revenue collected from imported liquor last year amounted to little more than 2 per cent of Japan's Y1,900bn liquor tax revenue.

As for Europe, its exports account for just £170m ($250m), which compared to an expected £14bn trade deficit between Japan and Europe this year. Nonetheless, the issue has been designated by the commission as a test case of allegedly unfair trade practices by Japan.

● A European Commission official yesterday confirmed that a panel is to be set up at the end of this month under Gatt to decide whether Japan is discriminating unfairly against EEC spirits exports.

US Congress treads minefield, Page 4

CONTENTS

EUROPEAN NEWS

Nordic area growth rate forecast to fall below OECD average

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

ECONOMIC GROWTH in the Nordic region, which outpaced the rest of Europe in 1984 and 1985, is slowing down and is expected to fall clearly below the average for the industrialised countries this year.

According to a report from the industry federations of the five Nordic countries—Sweden, Finland, Denmark, Norway and Iceland—growth in the region will weaken to only 1.6 per cent this year compared with 2.2 per cent in 1986 and 3.1 per cent in 1985.

The federations' Nordic Economic Outlook says that growth in the region's gross domestic product has been primarily dependent on domestic demand since 1985, and this is expected to weaken significantly this year, in particular in Denmark and Norway.

The Federation of Swedish Industry is considerably more optimistic about Sweden's prospects in 1987 than most other domestic forecasting institutions, and suggests a growth in Swedish GDP for 1987 of 2.4 per cent compared with the latest forecast from the country's National Institute of Economic Research for growth this year of only 1.8 per cent.

The report suggests that growth in Norway will come to an abrupt halt with an expansion of GDP of only 0.7 per cent compared with 3.9 per cent in 1986.

Activity in Denmark will also virtually stagnate with GDP growth of only 0.5 per cent compared with 2.5 per cent in 1986.

Finland, on the other hand, will maintain GDP growth at 2.5 per cent compared with 1.5 per cent last year, while growth in Iceland will slow to 2.2 per cent compared with the 5 per cent achieved in 1986.

Inflation rates have come down in the region, thanks to falling oil prices, but the latest consumer price forecasts again suggest a tendency towards higher inflation figures for the Nordic area than for the OECD average.

Growth in the exports of goods and services at some 2.3 per cent in 1986 will pick up slightly to 2.8 per cent in 1987 with the main impulse coming from Sweden and Denmark. The volume of imports, which grew at 6.3 per cent in 1986, is forecast to fall sharply.

Unemployment, which declined slightly in 1986, will rise again marginally this year to around 4.8 per cent as a result of the economic slowdown.

Last year was marked by strong growth in private consumption at some 3 per cent with a large increase in particular in the sale of cars and other consumer durables. More restrictive economic policy, however, is likely to restrain private consumption growth to only 1 per cent in 1987.

Stockholm and Moscow in talks on Baltic boundary

BY SARA WEBB IN STOCKHOLM

SWEDEN AND the Soviet Union are meeting for two days of talks in Moscow starting yesterday on the still unresolved question of where exactly the boundary between the two countries lies.

The question of whereabout in the Baltic Sea Sweden meets the Soviet Union has proved a bone of contention for the last 18 years.

The Swedish delegation maintains that the boundary should be drawn midway between the Soviet Baltic mainland and the large island of Gotland which lies about 100 kilometers off the eastern coast of Sweden.

The Soviet Union wants the boundary to be halfway between the Swedish mainland and the Soviet mainland, which would place it close to the eastern coast of Gotland.

Since 1977, the area under dispute — about 13,500 square kilometers in size — has been declared a "white zone" and is not subject to fishing regulations which, the Swedes maintain, means that it is heavily over fished, chiefly for cod and salmon.

John Wyles reports on talk of realignment among the formidable list of parties

Italian politicians scent election in the air

A POTENTIALLY troubled Italian political season opens appropriately today with a celebration of a schism 40 years ago which added one more to the country's formidable list of political parties.

Paradoxically, much of the debate at the 40th anniversary congress of the Social Democratic Party (Psdi) will be on the need to forge an alliance, perhaps even a reunion, with the Italian Socialist Party (Psi) in order to create a non-Communist alternative to the long-dominant Christian Democratic Party.

Those familiar with Italian politics have sensed already that an election is in the air. The distant rattle of ballot boxes has fomented talk of political realignments on previous occasions. But traditionally parties have been reluctant to surrender their autonomy, their bureaucracies and their privileges.

The Psdi and the Socialists have tried reunion once before, exactly 20 years ago. It lasted little more than two years, when tactical differences over relations with Communists (the issue which caused the fundamental schism of 1947) prompted a second rupture.

The electorate in the meantime pronounced the united Socialist alternative unconvincing. The single party polled 14.5 per cent of the vote in the 1968 elections compared with the 19.9 per cent which the two parties had won separately in 1963 and the 15.7 per cent taken separately in 1972.

The obscurities of Italian politics make it difficult to know whether the present talk of realignment is merely tactical or whether it represents a more fundamental desire to break away from the Christian Democratic hegemony of the past.

Mr Claudio Martelli, the 43-year-old vice secretary of the Socialist Party, says that a reunion with the PSDI is one of the tasks his generation has set itself. He wants it achieved before the next elections, due in 1988 and in the longer term envisages a united "reformist" front which would also embrace a suitably remodelled Italian Communist Party (PCI).

Mr Franco Nicolazzi, the PSDI secretary, will try to enthuse the 600 delegates at his congress with the notion that the party should spearhead a radical Socialist alternative to Christian Democracy by making common ground, but not a merger, with the Socialists at the next elections.

Craxi: shrewd tactician

This is probably the best theme available for a man with an urgent need to raise his party's fading fortunes and spirits. Struggling to hold 4 per cent of the vote, tainted by allegations of corruption (Mr Nicolazzi's predecessor, Mr Pietro Longo, resigned because of his membership of the sinister P2 masonic lodge) a party of patronage which was long in thrall to the Christian Democrats, the PSDI no longer stands for anything very distinctive.

Fraternal greetings from the Socialists will be delivered this afternoon by Mr Bettino Craxi for whom the PSDI's 4 per cent vote, added to his party's 11-13 per cent, could be crucial in fulfilling his ambitions to return to the prime ministerial offices at the Palazzo Chigi after the next elections.

Mr Craxi has given few clues to his own plans and preferences. A shrewd tactician, he is, however, partly responsible for the increasingly nervous political atmosphere since he could precipitate early elections this summer.

At the moment, political doubts and fears focus on the now-infamous *staffetta* — last summer's agreement with which Mr Craxi was able to buy a seven-months extension on his three-year term as Prime Minister.

This deal ended a government crisis — almost certainly fomented by Christian Democrats anxious to regain an office which was theirs by right until five years ago — on the basis that Mr Craxi would hand over to a Christian Democrat at the end of March and return full-time to the task of preparing his party for the 1988 elections.

With masterly ambiguity, Mr Craxi has kept everyone in doubt as to whether he will go quietly. This became an important source of discipline over his increasingly unruly five party coalition towards the end of last year.

Since no party actually wants to be propelled into early elections, the Government actually achieved its limited priorities: parliamentary passage of the 1987 budget before December 31, draft legislation on reforming the judiciary and preparations for a national conference to discuss the future of Italy's nuclear energy programme.

No party sees an alternative to the present five party coalition before the elections, but circumstances there could be real electoral dangers for the Christian Democrats in presiding over a fragmenting government in the run-up to an election.

But if this talk of a "reformist" alternative gains ground and if Mr Giovanni Spadolini's Republican Party seems to offer it support, the Christian Democrats might choose to nip it in the bud by engineering the early elections which nobody wants.

Kohl ventures into the Strauss heartland

BY PETER BRUCE IN PASSAU

MR HELMUT KOHL came here on Wednesday to prove how tough a West German Chancellor he is. He could have campaigned in a dozen other places in Bavaria but it had to be West Germany's toughest town. Mr Franz Josef Strauss makes a four hour speech here every Ash Wednesday and they love it. That's how mean they are.

The press bus driver gave us a taste of it on the way in. "250,000 people," he was muttering lazily into the intercom, ... 16th century fire ... world's biggest church organ ... luckily just a few *gastarbeiter*.

"But we have a lot of Austrians," he joked. "They are our *gastarbeiter* but we don't mind because there isn't really much difference between us and Austrians is there?" His voice dropped. "In the past few months we have had a few (third world) asylum seekers sent to us though and we're not very happy about that I can tell you." We were supposed to laugh.

Passau is a breathtakingly pretty place on the Bavarian-Austrian border at the confluence of the Danube and Inn rivers. The fire destroyed virtually all the Gothic buildings and they have been replaced with splendid, rich Baroque. The organ in St Stephan's Cathedral is beyond brief description.

If the truth be told, Mr Kohl is not exactly welcome here. He is the man who, despite being pressed by Mr Strauss, the Bavarian Premier and local hero, refuses to change the constitution to keep all refugees out of Germany, choosing instead some typically "soft" option such as sealing the borders. He is the man who lets the liberal FDP in the coalition attack the South African Government. He is the man whom they suspect of secretly trying to keep Mr Strauss from being Foreign Minister.

Mr Kohl knows this and took out his pre-rally nerves on an Israeli radio reporter who, worried by signs that West Germany may be in the process of "relativising" Nazi crimes—just three days earlier the Chancellor had claimed that concentration camps exist in East Germany—asked whether the Bonn Government was in danger of becoming too right wing.

"Just remind me who is in power at the moment in Israel?" asked the Chancellor.

"Urmm ...," said the Israeli, and began to splutter something about power sharing.

"I think it is the Likud party, no?," said Mr Kohl, finishing off his fod." I think its a right-wing party or am I wrong?"

Gamely, the Israeli tried again. That was not the point, he began, but got no further.

"And what is the name of your Prime Minister," asked Mr Kohl, already showing signs of boredom now he knew he had won. The Israeli helped him with the name. "And is Mr Shamir a liberal?" Temporarily broken, the reporter shambled away.

That sort of attack might have done the Chancellor more good here had he not whispered it. Passau is so anti-semitic that most Jews had fled the place long before the Nazis came to power.

Once in the hall, where some 5,000 ruddy faced beer swilling townsfolk, young and old, had been waiting for him for a few hours, Mr Kohl's only job, he knew, was to get up and say a string of things for about 90 minutes. Then he could go.

"I have come here to talk to you about the future of our Fatherland," he starts. The speech is, by now, an old one. For the purposes of this election, Helmut is campaigning as an interior decorator. When the Social Democrats fell in 1982, he tells his audience, the "house" was falling apart. In the past four years, the "foundations" have been repaired and now it appears to be time to do up the "rooms" inside.

He talks about the need for family and for authority. Pessimism has been defeated. He thanks the police and the army for securing peace and freedom. He calls for a new patriotism among the people. The people clap but not often and only briefly. What does one have to do to get them on their feet?

Mr Kohl probably does not care. He is winning—something Franz Josef Strauss failed to do—and this is the back of beyond. He poses for exactly three seconds after his speech with a copy of the local paper in his hand, almost runs along the dais saying goodbye to the people on it and is gone.

Belgium to press for air fare cuts

By Tim Dickson in Brussels

BELGIUM'S Transport Minister yesterday vowed to press EEC member states over the next six months to agree cheaper fares and more competition among European airlines.

Mr Herman de Croo, who took over as chairman of the Community's Transport Council on January 1, told journalists in Brussels that new EEC voting rules this year could help break the political deadlock over cheaper air fares, though he also cautioned that he believes in a "step by step" approach to negotiations.

Mr de Croo paid tribute to the efforts of Mr John Moore, the British Transport Minister who was his predecessor in the chair. Mr Moore failed at the final meeting of Britains EEC Presidency last month to persuade his colleagues to accept a set of proposals aimed at stimulating greater competition.

Mr Moore was able to command broad support for outlawing the arrangements whereby European airlines carve up revenues on a 50/50 basis and for opening existing airline routes to competitors. But five member states refused to accept the proposed conditions for cut price fares, thus scuppering the whole package.

Mr de Croo yesterday pointed out that the Single European Act, which will shortly enable more Community decisions (including those on transport) to be taken on a "qualified majority" rather than unanimously, should improve the chances of agreement.

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EUROPEAN NEWS

French railways offer proposals to bring 22-day strike to end

BY DAVID HOUSEGO IN PARIS

THE FRENCH railways (SNCF) last night made a move to end the 22-day rail strike by improving promotion prospects and allowances for drivers. They also proposed spreading out over a longer period the loss of pay the railwaymen would have suffered in the strike.

The management's proposals will be put to meetings of the strikers. Though union representatives said that they would not call for a return to work, two unions say the proposals as a gesture in the right direction.

The SNCF move came as the French Employers Federation warned last night that the worsening electricity and public transport strikes were now having damaging effects on the economy.

The Patronat said it was receiving an incerasing number of desperate appeals from companies whose production had been hit by electricity cuts or whose supplies and deliveries were affected by reductions in freight traffic.

Electricity cuts across the country were both more widespread and longer yesterday with some 40 per cent of workers on strike. The widening of the action followed calls by both the pro-Socialist CFDT union and the centrist Force Ouvriere to their members to stay out.
tradesmen in Paris broke into an office of the Electricite de France in Paris to protest against the cuts in power in their district.

The neo-Gaullist RPR party of Mr Jacques Chirac, the Prime Minister, also called on its party members to demonstrate peacefully against the strikes which they blame on the Communist-led CGT union. The UDF, the centrist partner in the coalition, supports the RPR's call.

Mainline rail traffic remained at about 40 per cent of normal operating levels. Largely because of reinforced patrols by riot police there was less sabotage of rail installation.

Metro (underground) traffic in Paris continued much reduced with both the CFDT and the independent drivers' union supporting the CGT in the strike. Mr Chirac, who is also Mayor of Paris, asked parking meter wardens to be lenient towards motorists.

An opinion poll published yesterday showed that Mr Chirac's popularity has dropped sharply because of the strikes and the student conflict. Only 46 per cent of those interviewed expressed confidence in him compared with 53 per cent in December.

Apart from the negotiations over working conditions on the railways the CFDT was also involved in contacts with the EdF on pay.

Beer and bike price battle looms

BY GEORGE GRAHAM IN PARIS

BEER AND BIKES have become the latest battleground in the French Government's efforts to stop inflation running away again.

The Government removed most official controls on prices only six weeks ago, but it is already showing that it still has teeth by launching inquiries into price fixing in these two areas.

Except in emergencies, the Government's only weapon is the competition code which is designed to prevent collusion and let market forces prevail.

Mr Edouard Balladur, Minister of the Economy and Finance, has referred the steep price rises introduced by motor cycle and bicycle repairers for investigation by the Competition Commission, which can impose fines if it decides the increases were carried out in concert.

"The referral of this case to the Competition Commission shows the Government's desire to make sure that price freedom is introduced with strict respect for the laws of the market," the Finance Minister said.

Bar and restaurant owners have followed Mr Balladur's example by appealing against price rises announced for beer, mineral waters and fruit juices.

The French Confederation of Hoteliers, Restauranteurs and

Edouard Balladur

Cafe Owners says that the rises, ranging from 3 to 10.75 per cent, are "irresponsible" when inflation is expected to be only 2 per cent. In addition, it accuses the drinks manufacturers of acting as a cartel, because the increases are the same from one company to another.

Since the Government lifted its controls on most prices there have been worries that prices, especially in the service sector, might surge and endanger the Government's inflation objectives.

Prices for car parking and for haircuts have already risen steeply in some areas, and significant increases are also expected for car repairs.

Cycle and motor cycle repairers have in some cases doubled their prices, and the Finance Ministry said that the increases "seem to have been provoked by two circulars from the national association."

The National Cycle and Motorcycle Federation admitted it had issued two circulars on the method of calculating charges, but said it had emphasised that individual repairers were free to fix their own profit margins. It strongly denied any non-competitive price setting.

The federation said its members had raised prices by an average of 50 per cent, with most increases in a band from 40 to 80 per cent.

Mr Balladur has had to refer the case to the old Competition Commission since the Competition Council which will investigate cartels and price fixing under the new legislation is not yet fully established.

The cafe owners, however, have given the new council its first case.

E Germany notches up 4.3% growth rate

By Leslie Colitt in Berlin

EAST GERMANY began its latest five-year plan last year with a respectable 4.3 per cent growth in national income—equivalent to gross national product less services.

The growth rate was only 0.1 per cent short of the target considered ambitious in the face of falling East German earnings from the sale of cheaper oil products to the West.

East Germany's economic growth was the highest in Comecon after the Soviet Union which for the first time in years had a rise in national income estimated terms at more than 5 per cent.

Industrial production in East Germany rose 4.3 per cent, while labour productivity in industry was up 8.8 per cent compared with a target of 8.1 per cent. Productivity, however, lagged about one third behind that of West Germany which had the highest productivity increase last year among Western countries.

East Germany has set itself the goal of 5 per cent average annual growth in the five-year plan to end-1990 and thus will have to boost its growth rate even higher to achieve this target. The same high target was set in the last five-year plan but was not fulfilled.

The fall in the value of East Germany's exports to the West of oil products—refined from Soviet crude—has been estimated by Western analysts to have cost it some $880m (£544m) last year because of the fall in oil prices. They said East Germany was faced with a choice of lower economic growth or a slowdown in its debt repayments.

East Germany's trade with West Germany also fell for the first time in years—by 7 per cent in the first half—as a result of lower oil prices. Along with other Comecon countries East Germany increasingly exported oil products and metals to the West to compensate for a lack of competitive industrial products.

Greek labour talks fail

BY ANDRIANA IERODIACONOU IN ATHENS

HOPES OF an end to the rift in the Greek trade union movement caused by the introduction of an economic austerity programme by the Socialist Government 15 months ago received a setback this week with the collapse of compromise talks between pro- and anti-government labour groups.

The talks, which ended on Wednesday, were aimed at agreeing procedure for the election of a representative 45-member leadership to run Greece's trade union congress, GSEE. At present GSEE is exclusively in the hands of Socialist trade unionists loyal to the Government, elected at a national conference last April, which was boycotted by dissident socialists, communist and conservative opposition labour unions.

Dissident socialists and communists made up the majority in the congress leadership when the Government's economic austerity programme was first announced in October 1985. However, a court decision gave control of the congress to loyalist socialists making up the minority, who proceded to organise a conference and hold elections.

In recent weeks however GSEE has adopted a more critical attitude towards the Government, reflected in a call for a nationwide 24-hour strike for higher pay on January 15. This led to expectations of a rapprochement with opposition trade unions, which were belied by the failure of this week's talks.

Cyprus economy grows by 3%

BY ANDREAS HADJIPAPAS IN NICOSIA

THE internal and external stability of the Cyprus economy had shown remarkable improvement and was expected to remain at satisfactory levels in 1987, Mr Christos Mavrellis, the Finance Minister, said yesterday.

In a budget address to the House of Representatives, Mr Mavrellis said that in 1986 the economy had achieved a "satisfactory" growth rate of 3 per cent, the current account deficit declined sharply from C£100m (£130m) in 1985 to C£5m and inflation was brought down from 5 per cent to 1.2 per cent, the lowest in the past 20 years.

He conceded there had been a fall in exports but said this was due mainly to the decline of the purchasing power of the island's traditional markets, mainly oil-producing Arab countries. The resulting decline of the manufacturing sector caused some rise in unemployment from 3.3 per cent to 3.5 per cent.

Mr Mavrellis said a positive development had been the strengthening of the island's foreign exchange reserves which rose to C£435m, covering eight and a-half months of imports.

The economy remained basically sound, he said. The Government's strategy was to promote the necessary restructuring and technological upgrading of production and to adjust the economy to the conditions expected from the Cyprus-EEC customs union, he added.

Evren tells politicians to oppose extremists

By David Barchard in Ankara

PRESIDENT Kenan Evren of Turkey yesterday called on the country's politicians to unite against Islamic fundamentalism which, he said, was as serious a danger as communism.

President Evren was speaking to university rectors at Adana in southern Turkey as they voted on what is seen here as a momentous decision to ban female Islamic students and staff in universities from wearing headscarves.

The rectors said that only modern clothing should be worn in universities, a setback for militant Islamic fundamentalists

Islamic fundamentalism, something which a few years ago hardly existed in Turkey, has now become a major issue in domestic politics. Middle-class Westernized Turks fear that the country may be sliding away from the Europeanising reforms introduced by Kemal Atatürk before the Second World War. The press has repeatedly accused the Prime Minister, Mr Turgut Özal, of turning a blind eye to the growing importance of underground fundamentalist religious brotherhoods.

Brussels ruling backs varying petrol prices

BY WILLIAM DAWKINS IN BRUSSELS

OIL companies' powers to conduct petrol price wars have received legal support from the European Commission in a ruling which will benefit motorists across the Community.

The Brussels authorities have decided against a complaint by a group of petrol stations owned by the Dutch sales subsidiary of Shell that the company used a discount scheme to fix retail prices and to discriminate against station operators.

While of limited immediate impact, the ruling reinforces oil companies' ability to vary wholesale prices according to the strength of competition around individual filling stations – and therefore to react to discounting battles.

The source of the complaint by the VEB, an association representing Shell-owned filling stations in the Netherlands, was the group's practice of setting discounts at different levels according to retailers' geographical locations and competitive positions.

This, they argued, amounted to indirect retail price fixing and discriminated unfairly between filling station operators – both of which contravene EEC competition rules. The Commission, however, found that Shell's discount scheme was merely used to support the margins of retailers that had to cut prices

Shell's practice of granting or refusing discounts on the evidence of its own analysis of local markets did not involve indirect price maintenance, the Commission decided. Moreover, it believed that there was no evidence of differential wholesale pricing

Ciba-Geigy in measures aimed to improve safety

BY JOHN WICKS IN ZURICH

CIBA-GEIGY, the Basle chemical company, has announced a number of measures aimed at improving environmental safety following a series of accidents at plants owned by it and Sandoz last November.

At present, Ciba-Geigy has some 130,000 tonnes of chemicals stored at 72 locations in Switzerland. After an initial risk analysis, a further 11 stores have already been closed. At 10 of the remaining sites, catch basins for the collection of water used to fight fires have been "substantially expanded," while corresponding work is being carried out in 28 other locations.

Ciba-Geigy, which had itself inadvertently polluted the Rhine at about the same time as the Sandoz fire, has also recommended the deregistration of its cotton insecticide, Galecron. This does not yet apply to the US, the biggest single market for the product, where talks are going on with the authorities.

The Ciba-Geigy measures, announced in a letter to employees by Dr Alexander Krauer, deputy chairman of the executive committee, follow recent steps by Sandoz.

These include the reduction of one-third of the stocks of agro-chemicals at Schweizerhalle, the site of the fire, by February 1 and a review of agro-chemicals manufactured or stored there "under the aspect of their further retention of withdrawal from the sales range."

Insecticides production at Schweizerhalle was already cut by 60 per cent at the end of November, while production has also been stopped of all substances entailing the use of phosgene or mercury.

OVERSEAS NEWS

Overseas students in Peking protest

By Robert Thomson in Peking

SEVERAL hundred African and Arab students marched through Peking yesterday in protest at a letter released by a "Chinese students association" claiming that visiting students "annoy Chinese girls" and have introduced "manners acquired by life in tropical forests."

The official Chinese news agency Xinhua said there was no such association and the "letter was concocted by some troublemakers," though the agency did not give any clue to their identity.

African and arab students gathered in the west of Peking and marched to the diplomatic district in the east in defiance of a march ban introduced to curb the spate of protests by Chinese students. Police urged them to disperse, but did not intervene when the march continued.

Protesters said they would return to their countries unless the Government guaranteed their safety. The offending letter suggested that Chinese could learn from the US experience of oppressing blacks, and that action against them "depends on you."

African students, who are subsidised by the Chinese Government, often complain of prejudice by Chinese in the streets, and several Africans with Chinese girlfriends have been assaulted in Peking and Shanghai.

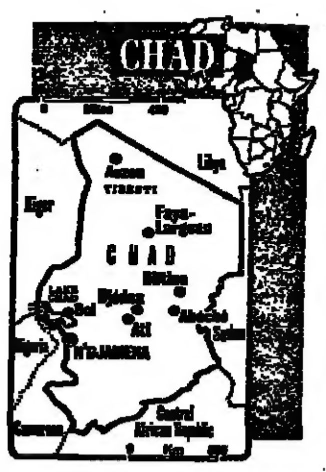
Last May African students fled the port city of TianJin after a clash with Chinese students, who complained that the visitors were too noisy. After receiving assurances of their safety from officials, the Africans returned to Tianjin and there have been no further clashes.

● China and Vietnam said yesterday that a fierce clash on their joint border was continuing. Casualty figures are disputed, but the clash is the worst for more than a year and probably the worst since the two countries fought a very brief and limited war in 1979.

However, Vietnam also said yesterday that it still wished to normalise relations with China.

Paris continues to play down the significance of Libyan air raids into the south, **Paul Betts** reports

France shoulders thankless role of gendarme in Chad



THE WAR in Chad is testing again France's traditional role as "gendarme" of central Africa. The intensification of the conflict with the Libyan incursions beyond the 16th parallel—the line dividing southern Chad from the northern part controlled by the Libyans—could not have come at a more delicate time for the French Government.

With its hands already full of political, labour and economic problems at home, the last thing the Chirac administration wanted was a new crisis over Chad—even though the Chadian forces backed by France appear to be gaining the upper hand in their efforts to drive out the Libyans from nothern Chad.

Ironically, it is the success of the Chadian forces, reunited with rebels who until recently had sided with the Libyans that has provoked the latest tensions between Paris and Tripoli.

Libya has felt the need to retaliate as it was increasingly forced on the defensive by a string of demoralising and costly setbacks at the hands of Chadian troops in the north. The past few days have seen two Libyan bombing raids south of the 16th parallel, prompting a measured French response with the bombing by French Jaguar aircraft of Libyan radar installations in the north.

After the Libyan bombing raid last Sunday, the French Government confirmed yesterday that the Libyans had breached the 16th parallel a second time on Wednesday by bombing a Chadian Government building in the south. But in spite of this latest provocation, France has continued to play down the significance of the Libyan air raids. It has no wish to see the Chad war broaden into open confrontation between Paris and Colonel Muammer Gadaffi.

Mr Andre Giraud, the French Defence Minister, and other senior government officials, confirmed yesterday that the French government would respond to Libyan attacks in the south but with only limited actions against specific Libyan military installations such as the raid on Wednesday against the radar at Ouadi-Doum.

France is clearly reluctant to engage the full force of its military presence in southern Chad—the so-called "Epervier" contingent set up after Libya bombed the airstrip of the Chadian capital of N'Djamena last February. The continent includes more than 1,000 men backed by aircraft, helicopters and other equipment. In the meantime France, with some help from the US, is continuing to supply additional logistical support and military equipment to the Chadian troops fighting in the north.

For France the stakes in Chad continued to be high. Although Paris has found the role of "gendarme" increasingly thankless, it feels bound to honour its historic commitments to its long-term allies in Francophone Africa. It has long seen its involvement in Chad as crucial to its credibility with Francophope African countries.

Its presence in Chad also reflects France's desire to check Col Gaddafi's expansionist ambitions towards the south which could constitute a menace to friendly countries such as Niger and Gabon, where French economic interests remain substantial.

A Libyan descent into southern Chad, whose only resource is cotton despite unfounded rumours of hidden oil and uranium riches, would also threaten the Sudan, itself a back door to Egypt.

The French claim that if they were not present in Chad, the country could find itself dragged into a broader East-West conflict. Government officials argue that the "gendarme" role of France has so far managed to circumscribe the war into a regional conflict. "There is clearly a risk that if we were not there, the Americans might feel forced to intervene more heavily in supporting Chad against Col Gadaffi and his allies in the Eastern bloc," remarked one French official.

Indeed, although Paris and Washington have had major rifts over Libya, especially over the French refusal to allow US bombers to fly over French air space before the US raid on Tripoli last year, France believes the US is fundamentally relieved by the role France is playing in Chad. Washington has continued to provide some limited support in the area with the airlift this week and some $15m in financial aid to Chad a few weeks ago.

France wants to avoid being bogged down again in the desert sands of Chad as it was in the 1970s. Mr Jacques Chirac, the Conservative Prime Minister, made this clear this week when he said France had no intention of being dragged into "an adventure" in Chad.

The circumstances of the war have also recently dramatically with the re-unification of the former Libyan-backed rebels with the Chadian troops of President Hissane Habre.

"The conflict is no longer a civil war as well as a confrontation between N'Djamena and the Libyans as it was six months ago. With the reunification of the Chadians and their recent success against the Libyans in the north, we do not feel it is necessary for France to intervene north of the 16th parallel. The Chadians seem to be managing there quite well by themselves," argued a French official. Although the Libyans have 8,000 troops in the north, reinforced by the dispatch of additional aircraft, the guerrilla desert war tactics of the Chadians has inflicted heavy losses of men and material in the Libyan camp.

With French logistical and material support, Paris believes Chad now has the means to recapture the north as well as organise the national unity of the country. Under the circumstances, it is reluctant to become entangled more than necessary in Chadian affairs. Moreover, France has also committed itself to continue economic and financial aid to Chad, as it did last year during the cotton slump.

"We think that the Libyans themselves, especially those in northern Chad, are by now sick and tired of the war. The problem is not the Libyans but Col Gadaffi," said a French official. Clearly, if Col Gadaffi were to intensify his breaches of the 16th parallel, it would put pressure on France to respond, against its will, in a far firmer way in northern Chad than it has done until now.

Libya yesterday denied reports that its aircraft had bombed Kouba Oluanga, a town south of the 16th parallel which divides Chad into a northern third dominated by Libya and the south, under the control of the N'Djamena government.

The raid was said to be in retaliation for an attack on Wednesday by French air force planes on Libyan radar installations at Ouadi-Doum in northern Chad.

The Libyan news agency JANA said that reports of the raid were "lies and fabrications." A French government spokesman, responding to the JANA claim, yesterday reaffirmed that the Libyan raid had taken place. "We will continue to make graduated and firm ripostes, but we don't want an escalation."

Vietnam's old guard returns to prominence

THE three aged Vietnamese leaders swept out of office and into advisory positions last month have emerged with an unexpected level of power and status, Reuter reports from Bangkok.

A state radio broadcast from Hanoi said Truong Chinh, 79, former president and party chief, Pham Van Dong, 80, former premier, and Le Duc Tho, 75, veteran party organiser, have been named "Comrade Advisers" to the 14-member Politburo and the party central committee.

They will advise on strategic, economic, defence, security, foreign and other affairs.

The three were the most powerful trio in the country when they resigned, citing old age and ill health.

Boeing 707 destroyed in Beirut airport shelling

BY NORA BOUSTANY IN BEIRUT

AIR TRAFFIC at Beirut's international airport was suspended yesterday after artillery fire from hills to the south-east hit the eastern tarmac, setting a Lebanese Boeing 707 ablaze.

Retaliatory shelling of Christian areas from the southern suburb of Beirut killed five people and wounded 10 others. The militia-run Voice of Lebanon radio claimed the source of the shelling was Palestinian artillery in the Druze - controlled mountains overlooking Beirut, while the Shi'ite Amal movement blamed the Christian Lebanese forces.

The fire came from the direction of Kfarshima and Chweifat, a line of confrontation between Christian militias and Druze fighters. Some 80 passengers had left the plane 30 minutes before the attack.

Cleaning staff on board managed to escape before flames devoured the red and white Middle East Airlines aircraft.

The Lebanese Forces militia rejected Amal charges that it had shelled the airport in order to pave the way for operations at Halat Airport in a Christian-controlled area.

● Reuter reports from Kuwait: An Iranian warship launched a missile attack on a Panamanian-registered tanker on charter to Kuwait in the southern Gulf yesterday, but the rocket failed to explode and lodged in a central cargo tank, shipping sources said.

Foreigners in South African share sell-off

FOREIGN shareholders have joined the business exodus from sanctions-hit South Africa by selling shares on the Johannesburg stock exchange in record amounts, officials disclosed yesterday, Reuter reports from Johannesburg.

Mr Alastair Martin, exchange chairman, said the net selling of South African shares by foreigners rose to R850m (£268m) last year, more than double the 1985 figure of R300m.

"There is no sign in the opening days of 1987 that the trend has been reversed, and we anticipate the selling probably will continue at a similar rate," Mr Martin said.

Report attacks Australian domestic airline curbs

BY CHRIS SHERWELL IN SYDNEY

FRUSTRATED travellers on Australia's domestic air routes can look forward to reforms to the country's unpopular two-airline policy within the next three years.

An independent report commissioned by the Government almost two years ago and finally published yesterday has criticised the policy and offered options for change.

The policy, which has operated in its current form since 1981, restricts operations on domestic trunk routes to two major carriers—Ansett Airlines, a private carrier, and the government - owned Australian Airlines.

Domestic travellers dislike the policy because it has contributed to high air fares and parallel air scheduling. The airlines themselves have enjoyed strong profits but grown more inefficient.

The Government must decide its response soon in order to give the required three years' notice of any change before the expiry of the current agreement in 1990.

The suggested options to the present system offer progressive forms of deregulation up to a complete "open skies" policy. The Government would probably not support either continuation of existing arrangements or wholesale deregulation, but it makes no recommendation.

The report also suggests that Qantas, the government-owned international airline, should be allowed to carry its international passengers on domestic routes.

Israeli bank suspends payment to former chief

By Judith Maltz in Jerusalem

THE BOARD of directors of Bank Leumi Le-Israel, one of the country's largest banks, has suspended the payment of what are considered unusually high rates of compensation to Mr Ernest Japhet, the former chairman, in response to public pressure.

It has been widely reported that Mr Japhet, who was forced to resign in line with a recommendation of the Beisky Report into the bank shares crisis of 1983, has already received upwards of $4m (£2.7m) in severance pay and is receiving a $30,000 monthly pension.

Following the publication of these figures this week, Mr Yosef Pecker, a board member involved in negotiating Mr Japhet's compensation package, resigned. He admitted that he bore "public responsibility."

The board said on Wednesday night that the "legality and reasonableness" of the terms of Mr Japhet's resignation were in doubt. A special committee was set up to examine the salaries and severance pay terms of other senior bank officials.

In spite of these concessions, the Leumi workers committee is to stage a one-day nationwide strike today. It is demanding that the other directors step down.

Widespread criticism has also come from the Government. Mr Michael Bruno, the Governor of the Bank of Israel, urged Leumi to end its agreement with Mr Japhet. Similar calls came from Knesset members.

In Israel, where the ideals of socialism are firmly rooted, the salary issue is highly sensitive, especially when it concerns bank managers, whom the public holds responsible for the sums of money lost during the bank shares collapse.

Shultz pessimistic on Pretoria reform

Mr George Shultz, the US Secretary of State, arrived in Senegal yesterday on the start of his six-nation visit to Africa, Michael Holman reports. He expressed pessimism about prospects for early change in South Africa and praised governments in the continent who have carried out economic reforms.

WORLD TRADE NEWS

EEC to finalise retaliation levies against US soon

BY WILLIAM DAWKINS IN BRUSSELS

THE European Economic Community's 12 member-states are expected to produce detailed proposals within the next week for punitive levies on $402m worth of US sales to the community of corn gluten feed and rice.

Mr Willy de Clercq, European Commissioner for external relations, asked member-states' permanent representatives in Brussels yesterday for a political declaration as soon as possible on final details of the community's retaliation to the US clamp-down on more than $400m worth of EEC exports to the US.

He proposed duties ranging from Ecu 30 (£21.90) to Ecu 50 per tonne of imported US corn gluten feed and rice as guidelines within which member states should agree. National officials are expected to decide on exact tariff levels by the middle or end of next week.

The US threatened last week to impose higher import duties of up to 200 per cent on a range of EEC food and drink sales, including gin, brandy, cheap white wine, olives, cheese and tinned ham, to put pressure on the community to compensate it for $400m to $500m worth of lost feedgrain sales to Spain.

US farmers feel they were unfairly squeezed out of the Spanish market when Madrid joined the EEC last year. The measures will take effect from the start of next month if the sides fail to agree.

The commission wants a firm community response to the US measures before Mr de Clerq and Mr Frans Andriesson, the Agriculture Commissioner, try to negotiate an accord with Mr Richard Lyng, the US Agriculture Minister, and Mr Clayton Yeutter, the US trade representative.

The two EEC representatives are expected to visit Washington for talks on January 23 and 24. The community's final response will be decided in the light of the success or failure those meetings at a gathering of European Foreign Ministers scheduled for January 26.

EEC and US officials, meanwhile, are to explore the groundwork for a possible accord at a meeting in Geneva on January 18.

Corn gluten feed, a maize waste product representing $395m worth of US sales to Europe, was chosen deliberately to hit US farmers, which have been the most vociferous in the US farming lobby to demand action against the EEC.

EEC officials were yesterday pessimistic over the prospects for a quick agreement. While the US wants 3m tonnes per year of grain sales to the community, the EEC is prepared to offer only 1.6m tonnes to all foreign supplies.

However, a commission official pointed out that a deal might be possible at the level of US grain exports agreed in a temporary truce last July—equivalent to 2.8m tonnes per year.

The EEC's official stance is that the US is already being compensated by trade gains in other areas. Officials also point out that the US demands are thought to be made on the basis of unusually high grain sales at a period when Spain was stocking up on cheap US produce before its arrival in the EEC obliged it to buy more expensive community feedgrains.

India's Commerce Minister, Shiv Shankar, called on the European Community yesterday to cut its industrial tariffs on imports from India, Reuter reports from Brussels.

He said 40 per cent of India's total trade imbalance was with the EEC, his country's most important trading partner.

Mr Shankar told reporters his country was concerned about the situation and would have to boost exports.

"Unless our purchasing power increases we will be unable to carry on importing goods from the EEC," he said.

Accepting the need to broaden the range of its exports, Mr Shankar said India would like higher and more flexible quotas on certain products such as tobacco, shrimps, tropical fruit, handmade carpets and leather goods.

He was speaking at the end of a two-day review with EEC officials

Canada to defend trade policy

BY BERNARD SIMON IN TORONTO

THE Canadian Government is to launch a campaign to improve public awareness of its free trade initiative with the US at a time when a bilateral dispute over softwood lumber has fuelled criticism of Ottawa's trade policies.

A unit will be set up in Ottawa to provide information on all trade negotiations in which Canada is involved. The campaign is likely to include pamphlets, speeches and advertisements.

Talks on a comprehensive free trade agreement are due to continue in Washington next week with a meeting of the two chief negotiators. A spokesman for the Canadian team said that the negotiations were being intensified in an effort to conclude an agreement by early October.

Delays beyond then would require Congress to extend the "fast-track" negotiating mandate granted to the Administration of President Ronald Reagan last year.

The free trade talks have become one of the most heated political issues in Canada. Criticism of the government's initiative has been fuelled by last week's settlement of a long dispute on Canadian softwood lumber exports to the US. The centrepiece of the agreement is a 15 per cent tax on Canadian lumber shipments to meet US complaints against the low tree-cutting fees charged in Canadian government forests.

The tax took effect yesterday as lumber industry leaders met in Winnipeg to discuss their response to the government's actions. Mr Adam Zimmerman, chairman of MacMillan Bloedel, the big Vancouver forest products group, has criticised Ottawa's handling of the dispute, contending that Canada should have taken a tougher line aagainst the US.

Free trade supporters maintain, however, that the lumber dispute underlines the urgency of introducing a formal mechanism for settling trade disputes between the two countries.

Japan set to accept plan on aid credits

By Ian Rodger in Tokyo

THE Japanese Government has indicated its readiness to accept a compromise proposal made last month to end the long dispute among countries of the Organisation for Economic Co-operation and Development over reforming the system of tied aid credits to developing countries.

A Japanese Foreign Ministry official said yesterday: "We hope that the European Community and the US will agree to it as well."

The reform is aimed at reducing the tied element in aid programmes, that is the portion of aid money that recipient countries can spend only in the donor country.

Japan has been under attack recently, both for the large tied element in its aid programme, and its unwillingness to agree to reform.

The official said yesterday that the compromise would move things in "a not undesirable direction," from the Japanese Foreign Ministry's point of view.

"We do not want to give the impression that we use ODA (official development aid) for the promotion of exports."

He acknowledged, however, that Japanese industrialists "may not be too happy" with the reform.

The main disputed element in the reform proposal has been the interest rate to be used on aid loans by OECD countries. A fixed rate of 10 per cent is used, which means that countries with high interest rates must contribute a greater grant element than those with low interest rates if they are to be competitive.

The compromise proposal, put forward by Mr Axel Wallen of Sweden, chairman of the OECD export credit group, calls for the establishment of a formula that would recognise differing interest rates in the various countries. The rate for a particular country would be established by adding the local market rate to 10 per cent and halving the result.

The foreign ministry official said Japan still oposed the idea of differentiated rates, but "we have accepted as a political compromise."

The compromise proposal is to be discussed at a meeting of the export credit group in Paris which starts on January 21.

Protectionism has now become reciprocity, reports **Nancy Dunne**

Congress treads a trade minefield

THE DEMOCRATS roared back into Washington for the opening of the 100th Congress declaring trade to be their number one priority, but there are more and more signs that outright protectionist measures — like last year's attempt to limit textile and shoe imports—have lost widespread appeal. The real battle may be waged over reciprocity.

Mr Alan Bowser, a spokesman for the Democratic Leadership Council, a coalition of Democratic moderates including many key legislators, lost no time in supporting the council's own trade bill this week. "We clearly have to learn to compete better rather than cowering behind protectionist policies," he said.

The bill, introduced by Mr Dan Mica, a Florida Congressman, and Senator Lawton Chiles, the new chairman of the Senate budget committee, stresses its opposition to "protectionist policies of foreign governments." It visualises the US as "a regulator" of the international free trade system, using "the powerful allure" of the American market for leverage.

The bill would require the US trade representative to calculate the potential dollar increases in US exports sales which would result from the lifting of foreign trade barriers.

The US would then have to set "realistic, country-by-country goals" for removing trade barriers and increasing US exports over a three year span. The goals would provide a benchmark for measuring whether or not market barriers are dismantled. A foreign country which failed to reduce its barriers would have its own exports to the US restricted by an equal amount.

Some of the more moderate measures being submitted in Congress may have the support of the Administration, which is preparing its own competitiveness/trade proposals to be unveiled in the President's state-of-the-union message. However, Mr Clayton Yeutter, the US Trade Representative, is likely to take the field against reciprocity legislation, which he says is "a retrogressive step" because "this is a multilateral world."

To head off what he calls "quick fix" legislation, Mr Yeutter has conferred at length with Sen Lloyd Bensen, the finance committee chairman, and was to meet this week with Mr Dan Rostenkowski, chairman of the House ways and means committee which oversees trade legislation.

The Administration is likely to propose: structural adjustment assistance for unemployed workers, negotiating authority for the new round of multilateral trade talks, better protection of intellectual property rights and the re-submission of last year's bill to ease the anti-trust laws.

Clayton Yeutter: against reciprocal legislation

Even worse than reciprocity legislation, in the Administration's view, is last year's omnibus trade bill, which passed the House last year and has been re-introduced. The massive bill proposes, among other things, a tightening of the unfair trade laws and a 25 per cent tax on imports from Japan, Taiwan, South Korea and Brazil.

The Administration may have lost its control of the Senate but it retains its power to veto. For that reason, most measures which are particularly offensive to the President are likely to fall by the wayside. It is early days yet for committee bill writing, but several ideas are receiving congressional scrutiny, including:

● An oil import fee favoured by Senator Bensen.

● An easing of export controls on strategic high-technology.

● Retaliation against Japan for failing to open its markets on auto parts, agriculture and services, with protection of its construction industry a sore point.

● Auctioning of import quotas to foreign trade partners in order to finance worker retraining schemes.

The loss of US exports due to the Third World debt crisis is likely to receive a great deal of attention. Senator Bill Bradley, who has recommended a debt write-off scheme has made the connection between debt and the trade deficit and the Democatic Leadership Council, talking of "the triple debt threat," says US exports to Latin America fell by 25 per cent from 1981 to 1985.

But no solution has yet caught on in Congress, which is faced by a menu of less than appetising options for the collapsing US trade position.

Goldstar may pick up GE deal

BY CARLA RAPOPORT IN TOKYO

GOLDSTAR of South Korea is expected to take up a colour television contract abandoned by Matsushita Electric and GE of the US, according to industry executives in Japan.

Matsushita, the world's largest consumer electronics company, and GE abandoned a purchasing contract after GE refused the Japanese group's request to increase prices in the wake of the rising yen.

The cancellation of the contract, which covered the purchase of colour televisions on an original equipment manufacturer (OEM) basis, is believed to be the first time that a big Japanese electronics company has turned down an order rather than accept a lower price.

Goldstar, a leading South Korean electronics company, already supplies smaller televisions to GE. The move is expected to heighten the increasing sense of nervousness over the high yen's effect on Japan's export competitiveness.

The televisions which Matsushita has been supplying GE are made in the US. A Matsushita executive explained that the higher price was needed to cover the cost of imported components, at least 50 per cent of value.

Thai petrochemical plant order won

BY OUR TOKYO CORRESPONDENT

ONE OF Japan's leading civil engineering companies has won a Y30bn (£127m) order to build two petrochemical plants in Thailand.

Toyo Engineering Corporation, with Mitsui Corporation, the trading house, received the order from the Thai National Petrochemical to build a full turn-key contract covering procurement of design, construction and testing.

According to Toyo, the plants will become the nucleas for Thailand's first petrochemical complex in Rayong, south east Thailand. One plant will produce 315,000 tons of ethylene a year, the second 105,000 tons a year of propylene. Ethylene and propylene are each prime ingredients in a wide variety of plastics and resins.

Japan's Ex-Im Bank is expected to finance the project, with a dollar-denominated, deferred payment loan. Toyo said the chemical project had been given top priority in Thailand's sixth five-year development plan which started last year.

Peru to sell PCs to Moscow

By Barbara Durr in Lima

NOVOTEC, Peru's only significant computer manufacturer, is finalising a five-year contract with the Soviet Union for 100,000 personal computers.

The contract, worth between $450m and $500m, will be signed by April, according to Mr Percy Buller, Novotec's general manager.

The Peruvian company, which is 19 months old, produces a machine that is compatible with the IBM-PC.

Novotec has designed its own circuit boards, software and casing, but it is essentially an assembler. It buys parts on the international market.

Mr Buller said Novotec would not be violating US technology transfer regulations.

Payment will be in hard currency to help cover start-up manufacturing costs, followed by a combination of counter-trade and cancellation of Peruvian debt.

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Brazil suffers setback in battle against inflation

BY IVO DAWNAY IN RIO DE JANEIRO

THE BRAZILIAN Government yesterday agreed to allow industry a limited period for the free adjustment of prices, further eroding its hold on inflation.

Relaxation of curbs on industrial prices coincided with the release of preliminary figures for December's cost of living index, which was up 6.35 per cent. This will trigger an automatic 20 per cent pay increase for some 6m workers, and over the coming months up to 14m more are expected to benefit from a similar rise as a result of the high inflation.

As recently as Christmas, the Government insisted that limited and controlled price increases only would be authorised in sectors where distortions were no longer sustainable. But growing pressure on the Government, including a highly critical four-page telegram this week sent to President Jose Sarney from the influential Sao Paulo Industrialists' Federation, has froced senior Economic Ministry officials to urge a temporary relaxation. Mr Dilson Funaro, the Finance Minister, publicly conceded this on Wednesday at a luncheon hosted by the National Confederation of Commerce (CNC).

The Argentine Government said yesterday consumer prices rose an average 81.9 per cent in 1986, the first year without triple-digit inflation since 1980 and the lowest annual total in 12 years, AP reports from Buenos Aires. In negotiations with the International Monetary Fund Argentine officials are projecting 40 per cent inflation in 1987.

The relaxation of prices may last until the end of February, the anniversary of the Cruzado plan, which sought to reduce Brazilian inflation to zero. In the interim, the Government is expected to redouble efforts to reach a comprehensive agreement on wages with the trades unions.

The triggering of a general pay increase came under last year's Cruzado plan legislation which ordered automatic rises valued at 60 per cent of the inflation rate once the consumer price index had risen by more than 20 per cent. In reality, the Government appears to have granted full inflation indexation, lifting the minimum monthly salary upon which all wages are based from Cz 804 to Cz 964 ($65).

Government economists say that even this is unlikely to satisfy the unions as real inflation is generally perceived to be substantially above the official index. The level of wage demands is now escalating rapidly, with Rio de Janeiro state yesterday paralysed for the second successive day as busmens' unions continued a strike for a 72 per cent pay rise.

According to early economic estimates, Brazil's gross domestic product grew by 7.7 per cent last year, on target for the Government's development programme, but well below earlier optimistic projections of up to 11 per cent.

Caracas seeks improved terms on foreign debt

By Joseph Mann in Caracas

A TEAM of high-level Venezuelan officials has begun a two-week round of visits to international banks aimed at obtaining softer terms on the repayment of part of the Government's $25.7bn (£17bn) foreign debt, and at paving the way for obtaining new credits for high-priority development projects in the future.

The Venezuelan team was due to meetn Mr Paul Volcker, the chaiman of the US Federal Reserve and representatives of the 13 bank advisory committee in Washington yesterday.

The Government signed a restructuring agreement covering over $21bn in public sector foreign debt ni early 1986 and now wants to renegotiate sections of the agreement in the light om the country's sharply reduced income from oil exports. The collapse in world oil prices last year caused a $4.8bn drop in Venezuela's oil export revenues and a sharp decline in its foreign reserves.

Petroleum exports provide Venezuela with over 90 per cent of its foreign exchange and are the Government's main source of revenue.

Government negotiators are expected to argue that the Venezuelan economy registered an impressive recovery in 1986 (3.1 per cent real growth) and that the Government has continued to pay its foreign debt obligations on time despite the reduction in oil receipts.

Since taking office in early 1984 the government has repaid over $5bn in principal alone.

The Government wants to obtain a lower interest rate on its restructured debt (now at Libor plus 1½ per cent), and defer payment of principal during 1987, 1988 and part of 1989.

US attempts to wrest initiative from Contadora

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

THE US Government has launched a diplomatic offensive to promote peace in Central America and wrest the initiative from the Contadora Group and its Latin American supporters.

The State Department announced yesterday that Mr Philip Habib, President Reagan's special envoy for Central America, would next week be visiting major Latin American and Central American countries. The announcement followed a meeting on Wednesday in Miami involving Mr Habib, US Assistant Secretary of State, Mr Elliot Abrams and Mr Madrigal Nieto, the Costa Rican Foreign Minister. The meeting was intended to be secret, but news was leaked by the Washington Times.

The offensive has been sparked by US concern over a move by the four nation Contadora Group (Colombia, Mexico, Panama and Venezuela and backed by Argentina, Brazil, Peru and Uruguay) to send a special mission of the Organisation of American States (OAS) to Central America.

The decision to promote the mission, coupled with a visit to the region by Mr Perez de Cuellar, the UN Secretary General, was taken at a meeting in Rio de Janeiro last month and was designed to inject new life into the flagging four year-old Contadora peace process.

According to Contadora country diplomats, the US Administration is against the idea of involving the OAS in Central America for fear of being able to exercise less control.

The diplomats also say that the US wants to head off a new and more pragmatic strategy being developed by Contadora. This would involve less emphasis on a highly legal document laying down a Central American peace treaty, and instead would concentrate on finding agreement on specific issues on a bi-lateral basis.

The US has never been directly involved in the Contadora peace process and in public has endorsed the principle of a peace treaty. But in practice the Reagan Administration has always expressed doubts about the value of Contadora and US policy of full backing for the Contra rebels fighting against the Sandinista Government in Nicaragua continues to undermine any initiative.

US backing for the Contras was condemned in unprecedentedly strong terms at the Rio meeting of Contadora and it Latin American support group.

Costa Rica meanwhile is going ahead with its own initiative to find a new basis of understanding. One proposal being considered is to persuade the Nicaraguan Government to begin a dialogue with the internal opposition, which would also act as spokesmen for the Contras.

The US diplomatic offensive also has to be seen against the ongoing "Irangate" scandal and the Administration's need to show that it has made efforts to find a peaceful solution, before Congress considers disbursement next month on the final tranche of the $100m aid pledged to the Contras.

Baker rejects widespread write-offs

By Lionel Barber in Washington

MR JAMES BAKER, US Treasury Secretary, yesterday rejected the idea of "across-the-board debt forgiveness" for Third World nations, saying it would ultimately damage both debtors and the global economy.

Mr Baker's remarks, in estimony to the Senate Budget Committee, appeared to dampen—but not contradict—suggestions in Washington that he is in favour of some selective write down of bank loans to major Latin American debtors.

The US Treasury on Wednesday did not dispute the accuracy of a report quoting a senior official as saying: "the debt is not worth 100 cents on the dollar and we should not be engaged in the fiction that it is either."

Some top monetary officials in Washington interpreted the report as part of a trial balloon aimed at stimulating a debate on Third World debt strategy and a hint to US banks that they should drop their demands for repayment in full.

Mr Baker also rejected the idea of massive new lending to help heavily indebted third world nations when he was called to Capitol Hill to testify on President Reagan's fiscal 1988 budget submitted to lawmakers this week.

The US Treasury Secretary said it was "politically tempting" to search for overnight solutions to the debt problem, but write-offs would further weaken US financial institutions and make external capital available to debtors only at prohibitive prices.

Turning to the budget, Mr Baker said he was wary of agreeing to a summit attended by leading Democrat and Republican lawmakers and President Reagan, if it created the impression that the White House favoured a tax rise to bring down the budget deficit.

Mr Pete Domenici, an influential Republican Senator on the committee, said new taxes would probably be needed to put the US Federal Government on a path to a balanced budget.

The Senate budget committee's hearing this week is the first sparring round in what will be a prolonged struggle to create a budget acceptable to a Capitol Hill under control of the Democats and the Republican White House.

World Bank to cut loan rates

By Lionel Barber in Washington

THE World Bank is to cut interest rates on loans to poor countries from 8.23 per cent to 7.92 per cent for the first six months of 1987.

The move is part of a progressive decline in interest rates on loans made by the Bank since it started lending at variable rates in mid 1982. At that time, the rate was 11.6 per cent.

David Lascelles on an Anglo-US accord stipulating capital standards

Step towards global banking rules

YESTERDAY'S agreement by UK and US banking authorities to apply common capital standards to their banks marks a big step forward in the regulation of banking—which is becoming, increasingly, a business which knows no borders.

If implemented by other countries—and the prospects are that this will happen over coming years—it could result in banking becoming the first business in the world to be regulated on a global scale.

The agreement stems from a long-held desire by banking supervisors in the main banking countries to apply common standards of soundness and prudence.

Bankers also want it, although for different reasons: they want to be sure that all their competitors have the same regulatory handicaps, the "level playing field" argument.

But achieving the common standard has been an ardnous task. The Cooke Committee of international bank supervisors in Basle has managed to delineate responsibilities for banks which operate in more than one country.

Some progress has also been made in the EEC. A further impetus towards harmonisation came in October when banking officials from more than 90 countries met in Amsterdam and set about devising minimum common standards for bank capital.

But it is clear that the Anglo-US accord only came about through the personal determination of Mr Paul Volcker, the Fed chairman, and Mr Robin Leigh-Pemberton, the Governor

Robin Leigh-Pemberton (left) and Paul Volcker: felt time had come for banking agreement

of the Bank of England, both of whom felt the time had come for action.

They will now be leaning on their counterparts in other countries to get moving. Their main target will be Japan, which has frequently been accused of allowing its banks to operate with low capital levels, which gives them a useful cost advantage.

When fully implemented, the Anglo-US accord will result in both countries publishing minimum capital standards for all their banks, and setting specific—though confidential — standards for individual banks. The key components of the accord are:

- Agreement on a common definition of capital. Aside from equity, it will include new forms of capital such as perpetual debt and some provisions for loan losses, though within limits.
- Adoption of the risk asset system for evaluating the quality of balance sheets. This ascribes a weighting to all bank assets based on their risk, with cash being risk-free and loans to shaky borrowers being the riskiest.
- The inclusion of off-balance sheet commitments by banks. This has been a fast-growing area in the past two years, and the authorities are determined that banks should put capital behind such commitments because of the loss risk.

They include commitments to underwrite note issues, guarantees, standby letters of credit etc. This will be done by applying a newly-devised "conversion" factor which would rank off-balance sheet items as if they appeared on the balance sheet.

What the accord conspicuously does not fully cover is banks' exposure to fluctuations of the securities' markets through their holdings of stocks and bonds.

This is to be investigated further in conjunction with the securities authorities in the US and the UK.

Further work will also be needed on interest rate and foreign exchange rate transactions, such as options and swaps, which are fast-growing but highly complex areas.

Eventually, convergence will call for closer harmonisation of tax, accounting and other practices which affect banks' finances, though this is not envisaged at the moment.

There will now be a three-month consultation period before the proposals are applied. They are unlikely to cause much controversy in the UK where the risk asset system has been in operation for some time.

However, there might be more debate in the US, where the Fed's proposal last year for a risk asset system drew a hostile response from some segments of the banking industry, who felt it was too severe.

JOINT PAPER ON CAPITAL STRENGTH

Risk-weighting of assets key to system

THE JOINT paper issued yesterday by the Bank of England and the US banking authorities—the Federal Reserve Board, the Comptroller of the Currency and the Federal Deposit Insurance Corp—creates a common system for measuring the capital strength of banks in the UK and the US.

The authorities hope that it will form a basis for other countries to follow.

The system consists of a definition of capital, a weighting of assets according to their risk, and a measure of capital strength based on a ratio between the two.

Primary capital:

This is the most secure form of bank capital. It represents resources which can be used to meet current losses while leaving banks able to continue operating on as a going concern.

Its main components are common stock or equity, retained earnings and minority interests in subsidiaries. There are no limits on the amount of such capital that can be included in a bank's capital base.

It also includes general reserves and general provisions which have been charged against earnings to cover unidentified or potential losses. It does not include specific provisions made against identified losses.

However, there are doubts about the role of general provisions and general reserves and comment will be sought on whether they should be phased out of primary capital.

Hidden reserves, in the form of undisclosed retained earnings, do not exist in the US and only to a limited extent in the UK, where they will continue to be included as primary capital, though they may be phased out under an EEC Bank Accounts Directive.

Perpetual and long-dated preferred shares, together with other perpetual instruments capable of meeting current losses, will be included in primary capital but only up to 50 per cent of the unlimited elements after the deduction of intangible assets.

Perpetual instruments cannot be redeemed at the option of the holder and can be repaid only with the permission of the supervisory authorities.

Other elements that strengthen bank capital, such as subordinated debt with a fixed maturity and the excess of market value over book value of some bank assets, fall short of primary capital but will be taken account of by the authorities in their overall prudential assessments.

Deductions from primary capital:

Deductions from primary capital will include intangible assets, investments in unconsolidated subsidiaries and associated companies and bank holdings of other banks' capital instruments.

The risk asset ratio:

The ratio is calculated by applying to each broad category of assets or off-balance sheet oligations a weight reflecting the risk inherent in each. The total is then related to the primary capital base to produce a ratio.

The framework is based mainly on credit risk—the risk of borrower or counter-party default. The Bank of England also includes the net open foreign exchange position and the US authorities are committed to this as well.

Both countries also want to include interest rate risk. However the weightings take no account of country transfer risk nor is commercial lending differentiated with respect to credit quality.

Other important risks, like operational failure, cannot readily be captured.

Five risk weight categories are proposed: 0 per cent, 10 per cent, 25 per cent, 50 per cent, and 100 per cent.

On balnce sheet — weight given:

0 per cent

1—Vault cash—domestic and foreign.

2—All balances with and claims on domestic central bank.

3—Domestic national government-guaranteed export and ship-building loans (UK only).

10 per cent

4—For the US, short-term (remaining maturity of one year or less) claims on the US Government (Treasury) and on US government agencies (US national government agencies are defined as those agencies whose debt obligations are backed by the full faith and credit of the US Government). For the UK, short-term (one year or less) claims on the UK and Northern Ireland governments).

5—Short-term (one year or less) claims on discount houses, gilt-edged market-makers and Stock Exchange money brokers (UK only).

25 per cent

6—Cash items in process of collection—foreign and domestic.

7—Short-term (one year or less) claims on domestic depository institutions and foreign banks.

8—All claims on domestic local authorities (UK only).

9—Long term (more than one year) claims on domestic national government (including, for the UK, Northern Ireland) and all long-term claims on domestic national government agencies. For the UK, this includes all claims on UK public corporations and on the rest of the public sector.

10—All claims (including repurchase agreements) fully collateralised by domestic national government debt and (for the US) debt of US government agencies. Also all clair collateralised by cash on deposit in the lending institution.

11—Federal Reserve bank stock (US only).

12—Portions of loans guaranteed by domestic national government or (for the US) domestic national government agencies.

13—All local currency claims on foreign central governments to the extent funded by local currency liabilities in that foreign country.

50 per cent

14—All claims on domestic national government-sponsored agencies (US governmet-sposored agecies are defied as agencies whose debt obligations are not guaranteed by the full faith and credit of the US Government).

15—All claims (including repurchase agreements) that are fully collateralised by domestic national government-sponsored agency debt (US only).

16—All general obligation claims on domestic state and local governments (US only).

17—Claims on multinational development institutions in which the domestic government is a shareholder or contributing member.

100 per cent

18—Long-term (more than one year) claims on domestic depository institutions and foreign banks.

19—All claims on foreign governments other than local currency claims on foreign central governments funded by local currency liabilities in that foreign country.

20—The customer liability on acceptances outstanding involving standard risk obligors (US only).

21—Domestic state and local government revenue bonds and indusrtial development bonds (US only).

22—All other assets.

23—Net open position in foreign exchange (UK only).

Off balance sheet items

The face amount of these items would be multiplied by the credit conversion factors shown below and the resulting amount would be slotted in the appropriate risk category depending upon the identity of the obligor and the maturity of the instrument where appropriate.

24—"Direct credit substitutes" (financial guarantees and standby letters of credit serving the same purpose and, in the UK, acceptances outstanding)—100 per cent credit conversion factor.

25—"Trading contingencies" (for example, commercial letters of credit, bid and performance bonds and performance standby letters of credit)—50 per cent credit conversion factor.

26—Sale and repurchase agreements and asset sales with recourse, if not already included on the balance sheet—100 per cent credit conversion factor.

27—Other commitments, for example overdrafts, revolving underwriting facilities (for example, RUFs/NIFs), underwriting commitments, commercial and consumer credit lines. The credit conversion factors are:

10 per cent—one year and less original maturity

25 per cent—over one to five years original maturity

50 per cent—over five years original maturity.

Credit conversion factor to be determined.

28—Interest rate swaps and other interest rate contracts.

29—Foreign exchange rate contracts.

Defence contractors are tightening their belts, Charles Hodgson reports

Lean times as Pentagon cuts back

US DEFENCE contractors, who have enjoyed the fruits of an unprecedented peacetime arms build-up under the Reagan Administration, seem to be facing a distinctly less comfortable future.

The strong weapons market of the first half of the decade looks set to contract as the rapid growth of defence spending slows sharply over the next four to-five years.

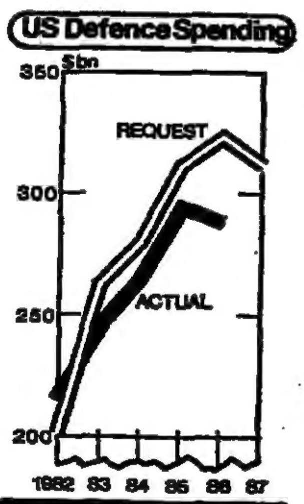
The US Administration this week presented its fiscal 1988 budget to Congress calling for defence spending of $312bn, a 3 per cent rise—the smallest increase since Mr Reagan took office in 1981. For the current fiscal year, the President requested $320bn, but this was pared down by Congress to $289bn.

Recent revelations of waste, overcharging and fraud among some contractors have led to a clampdown on pricing and accounting by Congress and the Pentagon and have encouraged the defence Department to insist that contractors bear more of the financial risks involved in the development of new weapons systems.

The changes in the pattern of defence spending and in the nature of weaponry being sought by the Pentagon, particularly in the aerospace sector, lead some analysts to predict a change in the structure of the defence industry at least in the near term.

The recent experience of Northrop, which is reckoned to have spent about $1bn of shareholders' funds developing a new fighter, the F-20, only to see it rejected by the US Air Force (thereby effectively cutting off prospects of sales abroad and probably killing the project altogether), has hardly encouraged contractors to risk going it alone.

Industry analysts see the US Air Force's recently awarded advanced tactical fighter (ATF) contract as an example both



of the new challenges facing defence contractors and of how companies might cope with them.

Two teams of contractors, led by Lockheed and Northrop, were awarded $691m apiece to design and build two prototypes each for the ATF.

The Lockheed-led team linked General Dynamics and Boeing, while Northrop teamed up with McDonnell Douglas. Although such link-ups are not a new concept in the defence industry, the circumstances offer pointers to the way future contracting may go, analysts say.

The $35bn ATF, along with its sister Advanced Tactical Aircraft (ATA) designed for the US Navy, the "Stealth" radar-elusive bomber and the "Tokyo Express" aerospace aircraft are among the few large aviation defence contracts expected to be awarded over the next decade.

The reason for this likely slowdown in orders lies not only in the expected stagnation in defence spending, but also in the increasing sophistication and expense of the weaponry being sought by the US Air Force.

Mr Joshua Epstein of the Washington - based Brookings Institution expects defence spending to maintain a flat trend at least until the end of the decade.

It is unlikely to escape Congressional pressure to reduce the $200bn federal budget deficit, especially with the Democrats in control of the Senate and with a Democrat, Mr Sam Nuun, in the chair of the Senate Armed Services Committee.

Mr Nate Higginbottom of McDonnell Douglas's planning department is similarly downbeat. "In terms of dollars, the overall trend (of spending) will probably be fairly stable for the next couple of years. I do not see any significant growth."

Dr Gansler and Mr Higginbottom both expect an increased share of the defence budget to be spent on operational costs, such as personnel and maintenance, at the expense of procurement. Mr Epstein also predicts that the Democrat-controlled Senate will shift its priorities towards spending on conventional rather than strategic forces.

The trend towards fewer but bigger and more sophisticated projects will lead to a stretching out of contracts over several years and more being spent on research and development as opposed to production, analysts say.

It will also result in more teaming among competing contractors. One of the reasons the Air Force encouraged teaming on the ATF, Boeing said, was "to get as much technology as they could into one airplane."

Another factor encouraging teaming is the insistence by the Defence Department that contractors share more financial risk, particularly in the design and development phase of a project. The Pentagon is no longer prepared to meet the same proportion of up-front costs that it has in the past. It has also reduced progress payments to contractors and its share of tooling costs once the production phase is reached.

It clearly feels also that requiring a company to bear a bigger share of up-front costs encourages better management, more competition and greater efficiency, since the company's own money is at stake.

According to Ms Judith Comeau, a defence electronics analyst with investment banker Goldman Sachs, in a recent bulletin on the industry, most new initiatives will be upgrading of electronics on existing aircraft, which implies few growth opportunities for aerospace companies.

While some observers predict a shakeout in the industry as companies jostle for the few, highly lucrative contracts available, most would not go that far—if only because of the probably unacceptable political cost of allowing a major defence contractor to go to the wall.

"There's always a risk for the big companies when you have a situation where you are not developing very many new systems," Mr Higginbottom said.

Dr Jacques Gansler, vice-president of TASC, a Virginia-based engineering research company, expects companies to diversify into other sectors within the industry, particularly avionics, to try to secure a bigger share of a shrinking market.

He predicts more mergers of the type that brought Lockheed together with Sanders, a defence electronics company, and he expects further capacity cuts and plant closures

Whatever action defence contractors decide on to confront this new environment, they will have to take it without the protective shield they have enjoyed under the Reagan Administration.

"It's becoming a higher risk industry where you are not always sure of getting your costs back," says Mr Higginbottom.

UK NEWS

Guinness steps up legal pressure on Ansbacher

BY HUGO DIXON

LAWYERS acting for Guinness, the brewing and distilling group, yesterday stepped up the pressure on Henry Ansbacher, the merchant bank, in the dispute over the ownership of 2.1m Guinness shares.

Sir David Napley, Guinness' solicitor, wrote a second letter to Ansbacher threatening to start legal proceedings unless it returned £7.6m, which Guinness claims is owed to it. Sir David said proceedings would start on January 20.

He is claiming that the money, which was paid to Ansbacher last May, was not used to buy its own shares but was a non-interest-paying deposit designed to induce Ansbacher clients not to sell those shares.

Ansbacher was sticking to its guns last night and saying it would not pay the money back, as it had been used to buy Guinness shares in accordance with instructions received from Morgan Grenfell, Guinness' adviser at the time.

Meanwhile, Guinness' main institutional shareholders were taking the attitude that any pressure on Mr Ernest Saunders, the company's chief executive and chairman, or other executive directors should be exerted for the time being by the non-executive committee. Prudential Portfolio Managers, which owns 5 per cent of Guinness shares is acting as an informal channel between this committee and other institutions.

Most institutions said this committee was set up to ensure that the executive directors were properly controlled, and that it would confuse things if they tried to conduct their own investigations directly. The committee, which is chaired by Sir Norman Macfarlane, has the power to remove the chairman by a majority vote.

The institutions made clear that they would expect the committee to get to the bottom of the affair and remove Mr Saunders if they found he was guilty of any wrongdoing.

Some of the strongest comments were made by Mr Paddy Lineker, investment director of M&G, the fund managers. He said the only way of defusing the crisis was "if Mr Saunders and a number of other directors go."

He was, however, under no illusions about the difficulty of achieving this. "I think Mr Saunders will be very hard to move. He will fight like anything to stay – he's a very tough cookie."

Mr Lineker also suggested it might be the case that Mr Olivier Roux, the Guinness finance director whom Guinness' solicitor has admitted authorised the £7.6m payment, was being set up as a scapegoat.

Corporate venturing campaign launched

BY NEIL BENNETT

THE NATIONAL Economic Development Office (Nedo) yesterday launched a campaign to promote corporate venturing, a system where large companies invest in smaller businesses to help them develop new products.

This move follows results from a survey that revealed that less than one in 10 companies had used corporate venturing as a way of raising money.

Corporate venturing has benefits for both smaller and larger companies. A small company profits from its larger partner's financial support and management expertise, while a large company can use the smaller's range of skills and sensitivity to market requirements to diversify.

The system is widely used in the US where large companies provide up to 40 per cent of venture capital. Many British companies, however, are either unaware of corporate venturing or view it with distrust.

"The large company's attitude is one of pride," said Mr Michael Brech, head of Nedo's finance for industry section. "They think they've seen it all before. If they don't have the technology, they think they can buy it in.

"Small companies are afraid of losing their independence. Entrepreneurs think they can do it alone and are surprised when things go wrong."

Nedo has published a booklet promoting corporate venturing. It explains how agreements can be set up with or without a third party supplying additional venture capital, while a one-day conference is planned on January 27 chaired by Mr Rhys Williams, chairman of the Marconi company.

"We're really aiming at the sleepy giants, who have piles of cash in the bank," said Mr Brech. Large companies in Britain lack innovation and are always looking over their shoulder at the shareholders. Capital venturing allows them to respond to market needs, instead of acquisition which can stifle a small company."

Nedo is also planning to open a register of companies interested in corporate venturing to put them in touch with each other.

Corporate Venturing: A Strategy for Innovation and Growth, from Nedo books, Millbank Tower, London SW1P 4QX, £5.

Oil companies prepare petrol price increases

By Lucy Kellaway

OIL COMPANIES yesterday started to prepare the market for a rise in petrol prices of up to 10p over the next week or so, after the rise in the crude oil price from less than \$15 a barrel a month ago to about \$18 a barrel.

Over the next few days the smaller oil companies, which have recently been offering discounts of up to 10p a gallon, are likely to stop supporting their dealers to bring the minimum price of four star petrol to about 166p from the present low of about 158p.

A move by the major oil companies is thought likely to occur next Monday, with BP expected to trigger an 8p rise in prices to 176p a gallon from average prices of 168p.

Texaco yesterday announced that the rise in oil prices in recent weeks would justify an increase of 10p a gallon, and complained that it was suffering at present prices.

"At these higher crude prices Texaco is not making an adequate return on investment and a more realistic pump price would be about 178p a gallon," Mr Owen Jenkins, Texaco's marketing manager said yesterday.

Tractor sales decline by 25%

By Nick Garnett

SALES OF agricultural tractors in the UK fell below 19,000 last year, a drop of almost 25 per cent on the total for 1985.

Registrations in 1986 amounted to 18,788, according to figures published yesterday by the Agricultural Equipment Association. In 1985 sales totalled 24,900.

This compares with the 1983 peak of 28,000 unit sales and is by far the lowest number since registrations began more than 20 years ago.

Farming investment was hit by a fall in farm incomes in 1985, particularly as a result of the poor cereal harvest.

The gradual reductions in capital allowances which have taken place every March for the past few years also had some impact, particularly in changing the pattern of when farmers buy new tractors.

In 1984, 43 per cent of new tractors were purchased in the autumn and 34 per cent in the spring. Last year, according to the association, 44 per cent were registered in the spring (before the last reduction in capital allowances) and 34 per cent in the autumn.

The UK ranks alongside Italy as the biggest producer of agricultural tractors in Europe.

You magazine

OUR January 6 report of the appointment of Mr Dennis Hackett as editor-in-chief of Today incorrectly described as disastrous the launch of the Mail on Sunday (MOS) magazine You.

You magazine was started in October 1982 as part of the relaunch of the Mail on Sunday, which had had a disappointing debut in May that year.

The MOS circulation jumped by 575,000 to 1.36m on the relaunch and the introduction of the magazine, and it stood at 1.6m in October 1986.

The FT apologises to Mr John Leese, who was editor of You magazine from the start until he left to become editor of The London Evening Standard in October 1986, and to all the people who assisted him in creating and sustaining the success of the magazine.

Labour will go on attack over City 'scandals'

BY JOHN HUNT

THE LABOUR Party shadow cabinet yesterday agreed a "firm framework" for its £6bn programme to create 1m jobs over two years, which will be the main plank on which it will fight the general election campaign.

The two-day strategy and policy meeting at Bishop's Stortford, north of London, puts the Labour Party on a war footing to be ready for a general election from the spring ownwards. Mr Neil Kinnock, the party leader, said yesterday that he had put the party on "election alert" just before the meeting started.

He made it clear after the shadow ministers departed that the issue of insider dealing and what is termed "scandals" in the City of London will be made a central issue on which his party will attack the Government during the campaign.

There was, he said, a need for essential reforms, including the establishment of a statutory body to regulate City affairs and for changes in the powers of the Monopolies and Mergers Commission. Regarding complaints about the lack of City investment in productive industry, he said there could be a case for making some differences in the tax regime.

Mr Kinnock said that the more Mrs Thatcher delayed the general election, the more deeply the economy would get into difficulties.

"That is why she must have the election this year," he emphasised. "That is why I want it as quickly as possible so that the destructiveness of Tory government policies is ended as soon as possible."

In an effort to swing the political argument away from Labour's non-nuclear defence policy – on which the Tories are convinced that Labour is very vulnerable – the shadow ministers agreed to concentrate their campaign on unemployment and the economy. Defence was only briefly touched on during the meeting.

The campaign will have two themes "telling the truth" about the Government's economic record and spelling out Labour's alternative plans to reduce unemployment.

A policy document on Labour's plans for the City is being drawn up and is expected to be published in a month's time. A final document on its £6bn programme to reduce unemployment will be unveiled in the spring, after consultations with employers in the public and private sectors, with local councils, training organisations and economic analysts.

In a television interview later, Mr Kinnock reaffirmed that a Labour government would hope to hold taxation at present levels, apart from the richest 5 per cent of taxpayers. He hinted, however, that it might have to take back any cut income tax that Mr Nigel Lawson, the Chancellor of the Exchequer, makes in his next budget.

He insisted that the work considered at Bishop's Stortford made it clear that a Labour government could meet the target of creating 1m "real jobs" in two years. The electorate would be faced with a clear-cut choice between the record of the Conservative Government on jobs and the proposals of Labour.

Indicating the areas where Labour would create jobs by its new package, he said there was a huge amount of surplus capacity in the construction industry. He estimated that Labour would create 200,000 new jobs in construction and related industries.

In addition, 300,000 jobs would come from new training programmes and a further 100,000 from improved personal care in the social services and from improvements in education. This would have a multiplier effect in boosting the economy. However, he did not envisage that there would be a big increase in jobs in manufacturing industry in the first two years.

The Labour figures were, he emphasised, based on the most cautious estimates of the number of jobs that would be created. Labour would also be attacking the Government over the increasing economic divide between the north and south.

He denied that the £6bn package would be inflationary, even though it would involve public sector borrowing. He agreed with the sensible business adage that "you have to borrow some, to spend some, to make some."

Martin Dickson outlines the background to the Government's wide-ranging review of competition policy

Bid for Pilkington tests attitudes to takeovers

MR PAUL CHANNON, the Trade and Industry Secretary, has to decide shortly whether or not to refer the £1.1bn takeover bid by BTR, the industrial conglomerate, for Pilkington Brothers, the glass manufacturer, to the Monopolies Commission.

He will do so against a background of strong political pressure for a reference from Labour Party spokesmen, from Dr David Owen, the leader of the Social Democrats, from backbench MPs of all parties and the massed ranks of the trade union movement.

The bid has aroused such strong emotions of the sharply contrasting nature of the two companies. Pilkington has built itself up into the world's leading manufacturer of flat and safety glass by concentrating on this single business and making a heavy commitment to research and development and long-term capital investment.

This paid spectacular dividends in the 1950s when it invented the now standard float process for making glass. At the same time, it has won a reputation as one of Britain's most socially enlightened employers.

BTR, by contrast, is an industrial conglomerate which has grown into one of Britain's biggest companies through a succession of acquisitions and a rigorous system of financial controls.

Mr Channon will decide after receiving advice from the Office of Fair Trading. It he does refer the bid, this will be seen as a significant shift in government policy from the guidelines laid down in 1984 by Mr Norman Tebbit when he was Trade Secretary.

Mr Tebbit said his policy had been, and would continue to be, to make references primarily on competition grounds. Since then, very few references have been made on grounds other than that.

The Pilkington bid can hardly be referred to the Monopolies Commission on the grounds that it would involve a greater degree of concentration in the glass industry, since BTR has no existing interests in the sector.

That said, a successful bid would involve a change of ownership of a company which enjoys an extremely powerful market position. Indeed, Pilkington's dominant role in UK glass prompted an investigation by the Monopolies Commission in 1968.

It concluded that the company – then privately owned – was conscious of its responsibility to the public interest and this might be associated with the "long established dominance of the Pilkington family within the business."

The 1968 report is of very limited relevance today. Pilkington became a publicly quoted company in 1970 and the interests of the eponymous family are now comparatively small. At the same time, increased competition has shrunk its share of the UK flat glass market from about 90 per cent in the 1960s to around 60 per cent now.

Still, it might be argued that any change in the ownership of a company which retained such a dominant market position should be looked at by the Monopolies Commission.

Despite Mr Tebbitt's emphasis on competition, the Government can refer a bid on the ground of "the public interest" – a vague term encompassing a wide range of issues.

Over the past year the Government has referred two bids because of the high level of borrowing required to finance them – the offer by Elders IXL of Australia for Allied-Lyons, which was abandoned despite getting a green light from the commission, and the bid by Gulf Resources, a small US energy group, for Imperial Continental Gas Association, the distributor of Calor gas.

In the latter case, the authorities claimed there was an additional competition factor: the implications for Calor's strong market position under a highly geared owner.

Issues of competition and wider European Community politics intertwined in the Government's decision to refer to the commission rival putative bids from Hillsdown Holdings, Tate & Lyle and Feruzzi of Italy for British Sugar.

Competition was also cited as the reason for the reference of the bid by London International Group, the rubber products and china manufacturer, for Wedgwood, the fine china manufacturer. The two companies did control more than 25 per cent of the UK china market – the normal criteria for an investigation – but only just.

There were also suspicions that this might have been a "crown jewels" reference – in other words, reflecting government concern over the fate of one of the most exclusive names of British industry under LIG's ownership.

While the Government's remit is wide, it has not in recent years regarded the conglomerate nature of a bidder as reason in itself for a reference. Indeed, the last time this was an issue was in 1982 when BTR's bid for Serck, the valve manufacturer, was investigated by the commission.

Its report argued that the merger might have advantages for the public interest, strengthening BTR's existing position as a valve manufacturer against foreign competition.

The inquiry took place at a time of strong controversy about the role of conglomerates, and the commission's report was seen by officials at the time as giving a general green light for this kind of takeover. Thus, when BTR bid for fellow conglomerate Thomas Tilling in 1983, that bid was not referred.

But political climates change and, whiles conglomeracy itself may not be a particularly controversial issue now, the economic value of the contested takeover certainly is, and this may well colour the Government's thinking about Pilkington.

Moreover, the Pilkington case involves several areas of public interest, other than competition, which the Office of Fair Trading is meant to consider when weighing up a reference:

- Research and development of new products. This has been a key factor in the glass manufacturer's success.
- Promoting a balanced distribution of employment. Despite its international growth, Pilkington has always maintained its headquarters at St Helens, Lancashire, and it is one of the most important employers in north-west England. It has also won a very high reputation for the sensitive handling of redundancies and job creation through the St Helens Trust – the pioneer for the whole British enterprise agency movement.
- Promoting competitive activity on overseas markets. Pilkington is one of the few remaining British manufacturers that can claim world leadership of its industry.

All these factors are being cited by politicians opposed to the BTR bid as reasons for references. Mr Channon is likely to say next week whether he agrees.

Whatever the decision, it is likely to give added urgency to the wide-ranging review of competition policy currently being undertaken by the Government. One idea being aired is that bidding companies should be required to show positive benefits in any merger, rather than merely establishing that they do not work against the public interest.

RECENT MONOPOLIES COMMISSION INVESTIGATIONS

BIDDER	TARGET	DATE REFERRED	OUTCOME
Elders IXL	Allied-Lyons	Dec 85	bid cleared
BET	SGB	Dec 85	bid cleared, but withdrawn
GEC	Plessey	Jan 86	bid blocked
United Biscuits	Imperial Group	Feb 86	bid initially referred, but terms then changed
Guinness	Distillers	Feb 86	bid initially referred, but terms then changed
Cope Allman	Firth Cleveland Strip	April 86	bid withdrawn
Norton Opax	McCorquodale	April 86	bid cleared
Hillsdown Holdings	British Sugar	May 86	bid withdrawn
Tate & Lyle	British Sugar	May 86	report pending
Feruzzi	British Sugar	June 86	report pending
London International	Wedgwood	June 86	bid abandoned
P & O	stake in European Ferries	June 86	stake cleared
Trusthouse Forte	Imperial Group's restaurants	Oct 86	report pending
Strong & Fisher	Garner Booth	Nov 86	report pending
Gulf Resources	IC Gas	Dec 86	report pending

Paul Channon: will decide on referral

Telephones threatened after pay talks fail

By Charles Leadbeater

TELEPHONE SERVICES in the UK seem certain to be disrupted by industrial action from Monday, after pay talks between British Telecom (BT) and the main union at the company broke down yesterday, after more than eight months of negotiations.

The 110,000 strong National Communications Union (NCU) engineering group said "serious and bitter industrial action" was inevitable after it rejected BT's latest pay offer worth about 5 per cent from July 1986, with bonus payments for some engineering grades in April. Talks broke down over the size and structure of the offer.

The engineers, who maintain exchanges and repair faults, will start an overtime ban and work to rule from Monday. The Union has directed local branches to hold strikes lasting up to 24 hours should staff be sent home for not undertaking overtime.

Union leaders in London believe these strikes, which could start on Tuesday, could swiftly escalate into longer stoppages. The NCU believes that BT may dismiss those engineers who regularly work overtime, because the company argues this work is written into their contracts of employment.

BT said it was disappointed by the engineers' decision which, it admitted would hurt customers. The 34,000 strong NCU clerical group, which has already started an overtime ban, will meet BT for further pay talks tomorrow.

- The National Union of Railwaymen is to be offered written assurances on jobs and pay by London Regional Transport in an attempt to prevent a strike of underground rail services in London next Wednesday. A management spokesman said: "There are no issues at this stage which could justify a strike."

Unipart workers' 12% allocation

BY JOHN GRIFFITHS

UNIPART'S 4,000 employees will be able to buy 12 per cent of the company's ordinary shares under an agreement signed last night in which state-owned Rover Group sold 78.33 per cent of the car parts and accessories company to a consortium of management and UK institutional investors led by Charterhouse Bank.

The sale, originally intended to be completed a year ago but delayed by a downturn in Unipart's profitability, provides the loss-making Rover Group with £30m in cash immediately. It will receive a further £15m if Unipart achieves undisclosed profit, and an extra £7m, plus interest, if and when Unipart is floated on the stock market.

The employee allocation is more than double the 5 per cent indicated in July, when Rover Group gave the first outline details of yesterday's agreement.

This had been negotiated over several months in order to give employees the opportunity to acquire what group managing director Mr John Neill described as a "uniquely" large stake in the company.

The higher employee share has meant a reduction of around 4 per cent in the stake being retained by Rover Group, and 3 per cent for the institutional grouping. Even if fully taken up, however, the employees' share would be well below the stake held by their counterparts in what is regarded as the most successful management buy-out operation to date, the National Freight Consortium. Well over 60 per cent of the NFC's shares are held by employees and management.

The deal provides for Mr Neill and Unipart Group's senior management to take a 10 per cent stake in the company, all in founder's ordinary shares. Charterhouse and the institutions group are taking a 56.33 per cent stake. The shares are all in a new holding company, UGC (Unipart Group of Companies).

However, there is also a provision for the senior management to increase its holding, to up to 20 per cent, if the venture is successful earlier than planned. This would be at the expense of institutional investors, not employees.

Should the employee allocation not be taken up in full, the agreement provides for it to be offered first to management, then the institutions, and finally Rover Group.

Employees were told by Mr Neill that a £15 holding in founder's shares could become worth over £2,000 were Unipart to be floated in a few years' time on a £75m valuation.

The sale does not include stocks of parts for Austin Rover cars or a large warehouse at Cenley, but Unipart has retained other assets which had a book value of about £73m at the end of last year.

The delay in reaching last night's agreement was caused mainly by a 43.6 per cent drop in Unipart's taxable profits in 1984, after its acquisition of the loss-making Edmunds Walker components group and its loss of Land Rover's parts distribution business.

Imports of commercial vehicles set record at Ford's expense

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A RECORD number of imported commercial vehicles were sold in the UK last year and the importers' market share reached an all-time peak, 39.62 per cent compared with 36.64 per cent in 1985.

This was partly because Ford, the market leader and the UK's major commercial vehicle producer, lost ground in all the major sectors.

Among the importers to benefit was Daimler-Benz, the Mercedes group of West Germany, which took third place in the heavy truck (over 3.5 tonnes gross weight) sector in 1985. It made further advances last year and is now fast catching up on Leyland, part of the state-owned Rover Group, in second place.

In the medium and heavy van sector Nissan of Japan made the most headway, moving into fifth place ahead of two West German companies, MAN-Volkswagen and Daimler-Benz. Nissan was helped by imports from its Spanish subsidiary which accounted for nearly 2,000 of the 8,200 heavy and medium vans it sold last year.

Spanish-built vehicles also contributed to the importers' gain in the light van sector. The Citroen C15, based on the Citroen Visa car and assembled in Spain, has made the French company a serious contender in the sector for the first time.

Renault, another French company, did even better in the light van sector with a small box van based on the R5 car. Renault's light van sales jumped to more than 4,500 and took the company into fifth place.

The Society of Motor Manufacturers and Traders statistics show that total sales of new commercial vehicles in the UK last year improved by 1.56 per cent on 1985 to 291,210.

Imported vehicle sales increased from 105,055 to 115,367. Total commercial vehicle sales remained well below the peak of 314,190 reached in 1979 from which point they sunk as low as 207,915 in 1982.

The heavy truck and articulated sector was static last year at 54,138 but there was considerable movement among the leaders.

Ford and Iveco, the Fiat-owned company, merged their heavy truck operations in the UK on July 1 last year into a new joint company called Iveco Ford Truck and the unsettling effect of this change had an adverse impact on sales.

THE PROPERTY MARKET By PAUL CHEESERIGHT

Question marks over the future of shopping plans

INVESTORS have had a good run in the retail sector. Returns have consistently been better than for office or industrial properties. Now it may be time to consider whether it is worthwhile stepping off the track for a spell.

Traditionally the industry is cyclical, veering from boom to bust. Now is boom-time. But it is worth asking whether the sector is shouting its last hurrah before the bust. As Dr Russell Schiller of Hillier Parker, the London surveyors, put it, "The name of the game for investors is to predict when it will turn."

The first point here is the question of quantity. The latest Department of Environment floorspace survey, in 1985, showed there were 828.8m sq ft of shopping space in the country. Against that global figure the amount of space opened in schemes has not been large and some of it anyway would have replaced existing space.

Hillier Parker has calculated that, since January 1980, 24.35m sq ft of new space has been opened. But in 1985 the space opened at 2.3m sq ft was the lowest amount since 1967. Last year, at around 5m sq ft, the number of new shopping developments began to creep up and this year the new square footage will be higher, given the number of schemes in the pipeline.

The major expansion of space is actually about to start. Last year Hillier Parker identified in schemes of more than 50,000 sq ft, a total of 62.97m sq ft of space either under construction, with planning consent or proposed. Even if half the schemes never materialise, the expansion is significant.

But it is significant in terms other than mere numbers. Two-thirds of the schemes in the pipeline and half of the proposals are out of town and this emphasises the growth of a new phenomenon in British terms—the big retail warehouse selling bulk goods to customers arriving in cars. It is this phenomenon that provoked the complaint of Mr William Waldegrave, the Environment Minister: "Hardly a week goes by without our reading of yet another vast shopping centre which it is proposed to build in the middle of the Green Belt."

From the investment point of view, the drive into retail property is fuelled by the high rental returns. Hillier Parker, on the basis of its sample of High Street rents, predicts this year that shop rents will increase by up to six percentage points above the rate of inflation and that by 1988 inflation-adjusted rents will have reached their highest level ever. Over the last four years, it pointed out, rents have risen at 10 per cent a year.

And in the retail warehouse sector specifically, Healey and Baker, the London surveyors and agents, calculated that rents have been rising by "a staggering 16.5 per cent per annum" since 1977 but noted that "growth in all regions has slowed from the frenetic levels of the late 1970s."

The fact that owners have been able to persuade the retailers to pay the higher rents, the fact that retailers have sometimes been stumbling over themselves to find space in new centres, is a response to rising affluence.

But the way this affluence is displayed can be changed and this throws up the first question mark over the retail boom. Economists have been predicting an end to the current consumer boom in 1988. It is possible that a new government or the present government in new colours could rein in the boom for wider economic reasons, slowing down imports to protect the balance of payments, raising interest rates to protect the pound and so on.

If this is right then the slowdown in the consumer boom could coincide with the arrival on the market of a large square footage of new shopping space.

On the basis of past experience, and this is a second question mark, the dual factors of more space and reduced consumer spending would feed through into the rents the retailers are prepared to pay. Not immediately. "Our evidence is that shop rents are lagged by 12 to 18 months. They are insulated, but not for ever," said Dr Schiller.

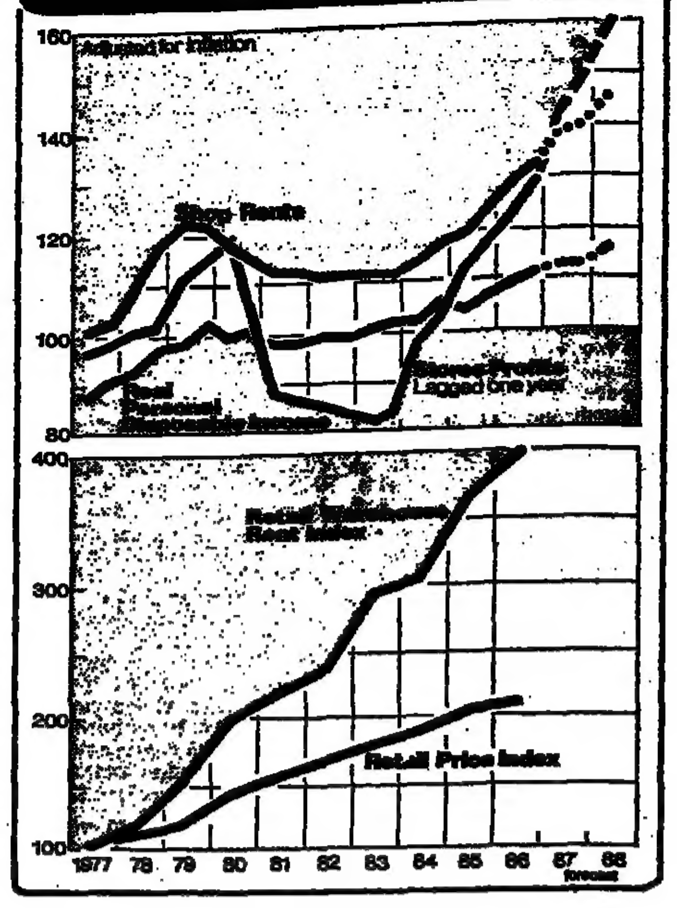
"Investors should not assume the above average investment performance of the last two or three years," commented Mr Angus Macintosh of Healey and Baker.

The effect of a slowdown in rental growth puts up a third question mark. It would be damaging especially to shopping centres, developed and planned, which are not in the best locations. The point here is that the drive into this sector has pushed up land prices and building costs are rising anyway. The higher costs of development can only be justified by the continuing expectation of higher rents.

The last time consumer spending was pulled in, recalled developers looking back to 1980, a lot of tears were shed as plans were scrapped and newcomers to the market hastily withdrew. Only the strong survived.

Nobody is predicting that the heady retail development will just shudder to a halt, but there are cautious souls around who believe that it is bound to slow down and that it might be judicious to recognise that before too many fingers are burnt.

THE RETAIL BOOM



Sources: Hillier Parker and Healey and Baker

WEST MIDLANDS: PLANNERS COME UNDER INCREASING PRESSURE

THE SHOPPING boom in the West Midlands is posing acute problems for the planners. They are trying to reconcile the needs of inner city regeneration and the protection of existing shopping investments with pressing demands from developers for huge new schemes.

The boroughs of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton are seeking to devise a joint approach to shopping policy. They face demands, in schemes of more than 200,000 sq ft for an increase in retail floorspace which is equivalent to 40 per cent of that existing in the nine centres of the area.

The latest developer to show its hand is Bryant Properties of Solihull with a plan for a retail-leisure park comprising 275,000 sq ft of shopping units, plus a fast food outlet and a multiplex cinema. The park would be just outside the Coventry City boundary in the borough of Rugby, close to the M6-M69 junction.

But the Bryant plan is small compared with others, either proposed or under development, in the area. The biggest are the Celor Properties 2m sq ft shopping and leisure complex on an old steel mill site at Wednesbury in Sandwell, the Richardson extension of 1.2m sq ft to a shopping centre at Merry Hill in the Dudley Enterprise Zone and the proposal from George Harris Associates of Australia for a 1.25m sq ft shopping complex at the Fort Dunlop site beside the M6 in Birmingham.

In addition Richardson is thinking of a new complex at the Wolverhampton Racecourse while Standard Life Assurance and Canberra Developments have separately proposed developments which add up to a further 538,000 sq ft in Solihull close to the M42.

Bryant's case for yet another shopping centre is that its own scheme is complementary to the facilities proposed and to those existing in neighbouring town centres. But the relevant planning authority here is the Rugby Borough Council and it is not taking part in the joint approach of the seven boroughs.

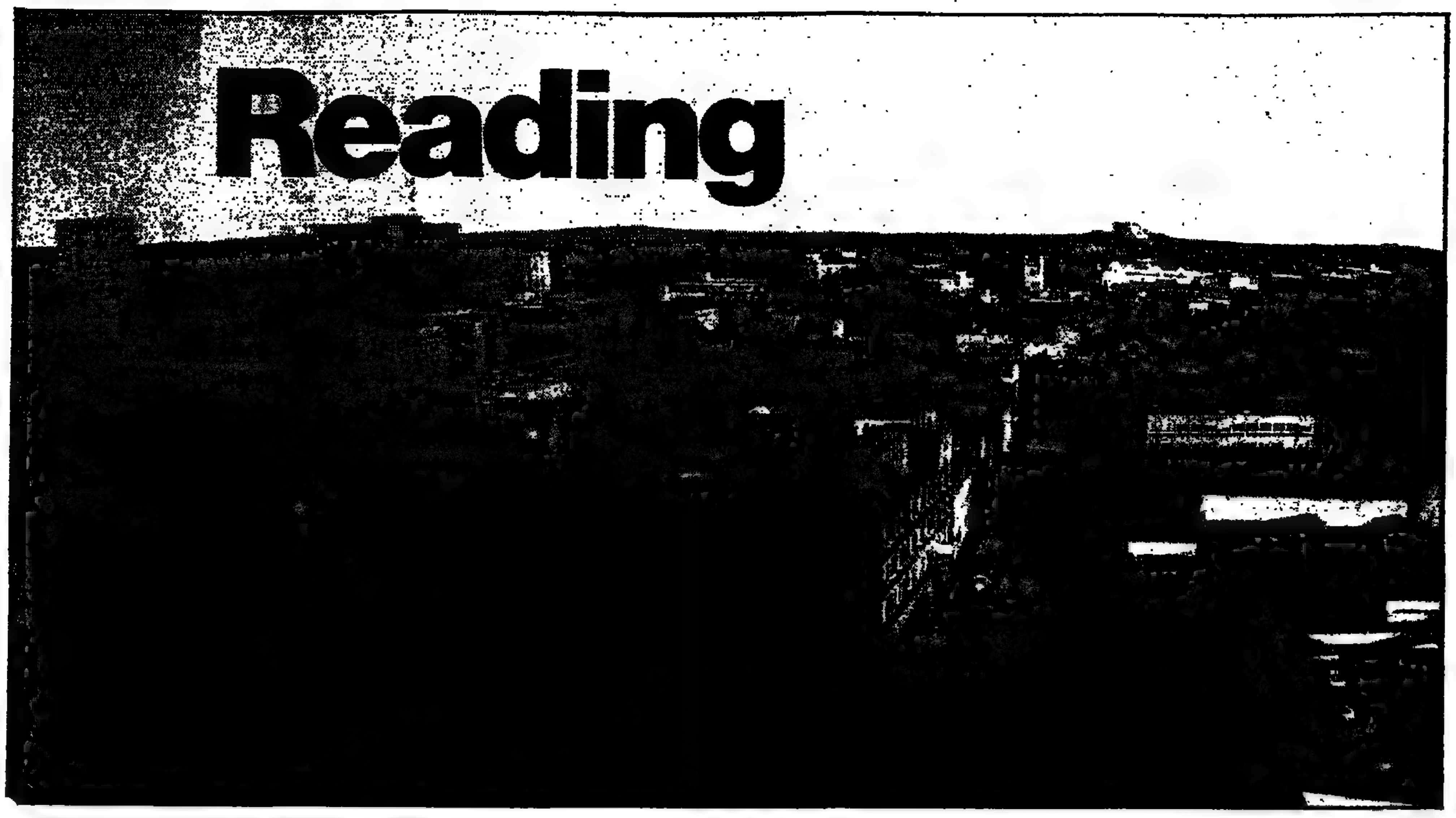
The seven have engaged Drivers Jonas, the London surveyors, to work out for them a response to the planning applications and the new Bryant proposal will figure in their approach. Armed with the Drivers Jonas recommendations the seven will seek to align whatever policy they adopt on shopping with the planning needs of the neighbouring shire counties at a conference in March.

Coventry is especially sensitive to, and is likely to oppose, the Bryant proposals because it is concerned about the future viability of two new city centre development proposals—a 150,000 sq ft Debenhams store and a 80,000 sq ft specialist shopping mall. Planners pointed out also that 300,000 sq ft of retail warehousing had been developed in the city since 1980.

FT REGIONAL REPORT

BY ALASTAIR GUILD

Firmly established in the fast lane in M4's Silicon Valley, Reading is grappling with the effects of success. Manufacturing plants have to move out to expand on less expensive sites, skilled blue collar workers are in short supply and the infrastructure faces increasing pressure



Fast growth brings its bottlenecks

READING IS the capital of what is fast becoming a country within a country, the Thames Valley. With all the advantages and few of the disadvantages that beset the rest of the UK, it has grown almost without prompting, under a momentum all of its own. But the pace of development is now placing Reading's infrastructure under some strain, and posing some knotty questions about the future direction of its economy.

The town originally grew up around its Abbey, making it the centre of government for the region. It was also the place where farm produce was brought for sale from miles around. Later a stop on the route of Brunel's railway, it became an important residential centre, attracting people from London, the West Country and South Wales. There is still a vibrant Welsh Society in the town.

It is the capital town of Berkshire, home of the county's administration and centre for its statutory services. It is, in addition the centre for many regional initiatives, with British Telecom and Thames Water, for example, both having large offices there. Reading University further enhances its regional significance.

Its prosperity for much of this century was based on beer, bulbs and biscuits. But in the past 20 years, traditional manufacturing has been on the wane, gradually being replaced by light engineering, computer services and the manufacture of high technology electrical components.

Smoke stack industries have found it increasingly difficult to justify staying in a town where land prices have rocketed, and where a blue collar workforce has been gradually supplanted by mobile and ambitious young engineers and professionals. SPP, making pumps, is one of the latest companies to move its manufacturing base from the town.

Foster Wheeler typifies the change in direction. One of Britain's largest process plant engineering and design companies, it relocated from London, and is now Reading's largest private employer, with some 2,000 people working in its various offices.

Digital Equipment Company, with its European headquarters in Reading, is another major employer with more than 1,000 people spread around a number of sites. But around the larger companies like Digital, Racal and ICL have also congregated many smaller firms. Berkshire shows an above average rate of small enterprise formation.

The influx of high technology firms has also attracted the providers of services they require, with most of the major accountancy practices and insurance companies well represented. There is also a growing sector of smaller firms providing courier, printing or catering services, for example.

"We've tried over the past 20 years to maintain as broad an employment base as possible," Mr Harry Tee, Reading Borough Council's chief executive says. "The structure of manufacturing has changed from biscuits and bulbs to high technology, but is almost as wide as it was. Employment is spread across many small companies rather than concentrated in two or three big companies as before."

The original Silicon Valley ran from Reading to Bracknell. Reading is now a pivotal point also in the sweep westwards of the M4 corridor. Though the population within the borough of Reading is just over 130,000, that in the wider urban area exceeds 250,000. As a major urban complex, Reading has been able to change its character and enhance its regional and national role, and so add to the momentum of its own growth.

But the pace of development is projected to slow down. "The county council is trying to reduce the level of growth in Berkshire as a whole, primarily because of the capacity of its infrastructure to cope," says Mr Grahame Handley, of Berkshire County Council's chief executive's section. Berkshire is already the third fastest developing county after Buckinghamshire and Cambridgeshire, with a growth rate of 1 per cent per annum throughout the 1970s and 1980s. But it is also the smallest county, excluding the Isle of Wight.

"We are on a delicate balance between pressure for development and the capacity of housing, the road system and the environment to cope. It's the problem of success and how to retain and keep that success. We don't think that would necessarily be achieved by being excessively permissive," Mr Handley says.

The strain on Reading's infrastructure is likely to be relieved by the substantial programme of road improvements planned by the county council for the coming decade. It is already committed, for example, to a third bridge over the Thames, a new inner urban motorway and a cross-town route.

There are proposals in its structure plan, now before the Secretary of State for the Environment, to release additional land for industrial and commercial development on Reading's outskirts, probably north of the M4, so lifting some of the pressure on sites in the town centre.

It is a measure of its continuing popularity among developers that Reading is able to pick and choose. The borough council has sought to influence and manoeuvre the way the town has developed partly through its ownership of substantial areas in the south of the town.

It recently put up one piece of land to tender. "We had so many inquiries that we almost had to take the phone off the hook. We can receive a dozen letters a month from agents looking for land." Mr Tee says.

The council has been able to achieve considerable planning gains in its negotiations with developers. As part of one proposal for a business park on Reading's outskirts, for example, developers will provide part of the road improvements leading to the cross-town route linking the east of Reading to the inner distribution road just north of the town centre.

It is a trend, nevertheless, which is of some concern to Dr John Punter, who deals with planning for the local civic society. "Reading faces the problems of getting traffic off major arterial routes into the town centre. Yet the only major investment by central government in the area has been on the M4.

"Now the only way of financing roads is to get developers to pay for them in return for planning permission. It is a development-led road policy, a case of the cart leading the horse. As a result, we have virtual new towns and industrial estates proposed on the town's outskirts because of the need for new roads."

Dr Punter believes that Reading's boundaries need to be redrawn. "Much of the wealth generated since they were conceived in 1913 has gone to the surrounding districts. That is why Reading is impoverished. The lines need to be changed to reflect Reading's needs in the 1980s. Though these districts have siphoned off the benefits, they sometimes

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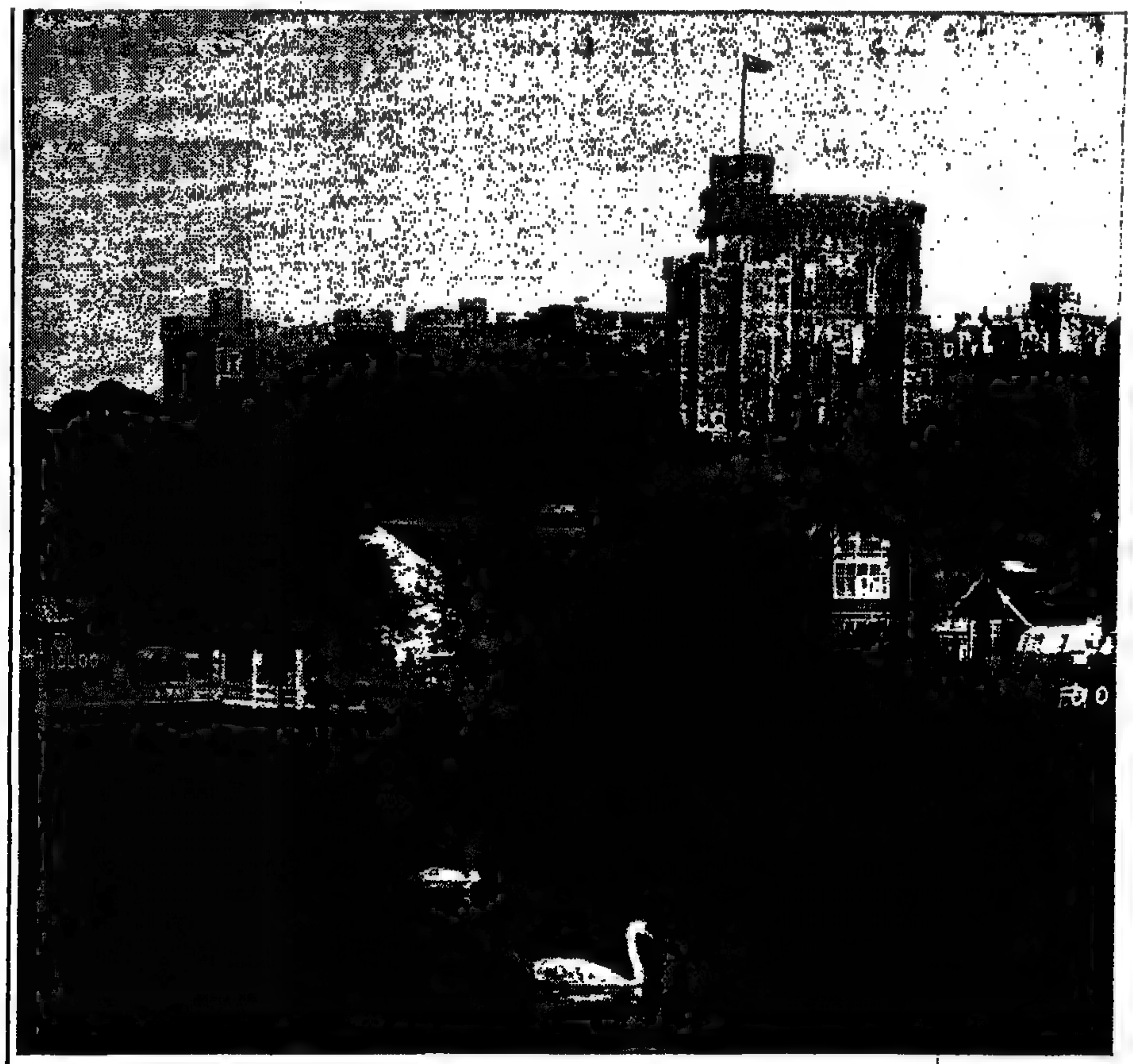
Looking down Broad Street, Reading's main shopping area

Pictures by Alan Harper



READING 2

Offices

Pressure for expansion

THE FUTURE of Reading's office sector is the subject of an increasingly vigorous debate. At stake is a finely balanced equation of supply and demand. In question is the ability of the town's infrastructure to cope with too many more large-scale commercial developments.

According to the developers, demand will outstrip supply by the end of the present borough plan's life in 1991 if the allocation of sites for major office development, at present standing at 20, is not relaxed.

They say there is a need, in particular, for high quality office space, designed to accommodate the technology of the future. There is already a danger of oversupply, say the planners, while any additional, major schemes would overstretch Reading's infrastructure.

It is as much a question of quality as quantity, according to Mr Paul Bradley of the Business Design Group, the fourth largest office design consultancy in the UK with an office in Reading. "While one million sq ft of newly built space has been occupied over the last two years, there is still a lot of unlet space in the town, mainly because it is of poor quality. No wonder that rents have increased by 30 per cent in the same period.

"Short-sighted, distant property developers and funding institutions have failed to recognise that Reading's office buildings need to meet the requirements of their peculiar users. Financial service organisations need accommodation that allows them to adapt and respond to change. The example set by the influx of predominantly American computer companies to the local business community is the one which should be learnt from."

The arguments of both developers and planners are likely to be tried and tested in a decision, soon to be announced by the Secretary of State for the Environment. He is considering an appeal by developers Rockfort Land against a refusal by the council to give planning permission for an office development of 60,000 sq ft at Thorn Walk in the town, with a smaller element of retail space and 18 housing units. The council would prefer to see Rockfort proceed with its alternative scheme of 66,000 sq ft of retailing, and 40 housing units.

The picture is clouded, though, by the uncertainty hanging over a site to be developed by London and Edinburgh Trust. LET already has consent for 230,000 sq ft of offices on land lying to the east of Bridge Street, but wants instead to build a largely retail scheme. LET has been in discussion with the borough council for some 18 months, and its retail scheme is now the subject of regular weekly meetings with planning officers. The council has also asked consultants Roger Tym to carry out an impact study of the retail scheme, the results of which are expected by the New Year.

"We retain the option to undertake an office development if it does not prove possible to reach agreement on the concept of retailing," says Mr John Newman, one of LET's directors. "We cannot wait indefinitely with so much money tied up in the site. If we don't get the go-ahead quickly, we will have to reappraise the situation."

The complexity of the situation only illustrates "the frailty of the town plan and the need for flexibility to take account of changes that the council couldn't be expected to foresee," says Mr Robin Helby of developers Rockfort.

There are several reasons, says Mr Helby, why his company's office scheme should proceed:

- Thorn Walk on the north-west side of the town centre immediately adjoins the existing office area, whereas LET's site would be opening up a new office area on the southern side of the retail centre;
- LET's office scheme is in any event five times the size of Rockfort's;
- Rockfort's office building is pre-let, to a single tenant, and so would not affect the balance of supply and demand for office space.

But even if LET takes up the option on its office scheme, argues Mr Helby, there is more than enough demand for high quality office space in Reading to soak up additional supply.

"Rumour has it that strong interest is being shown in the 250,000 sq ft Prudential Portfolio Managers office development adjoining the station. If I'm right, then there is a good argument for a single major building. Rents being achieved illustrate Reading's suitability for business generally.

"High-tech industries have been able to grow and employ more people without overheating the housing market, whereas in Slough and Maidenhead residential accommodation is expensive and in short supply."

The dynamic growth of the office sector in Reading is illustrated by rents being achieved. According to some figures, they reached £15 a sq ft for the first time earlier this year from a level of some £12 a sq ft 18 months before for inferior premises.

There was an annual take-up of office space of 300,000 sq ft over the period 1981-85. In August this year Reading had over 1m sq ft of office space on the market. Over the three years to 1991, there could be a demand for 950,000 sq ft, though under the present plan only 650,000 sq ft is likely to proceed.

Such figures are one reason why Mr Helby is optimistic about the outcome of the appeal. "By 1991, demand for modern offices will exceed supply. Though the shortfall will not be so great as to lead to tendering as in the City of London, rents will rise to reflect the pressure for higher quality buildings. Reading is not primarily a rent-sensitive area, so companies are prepared to pay relatively high rent for the right space and will ignore sub-standard accommodation, whatever the rent."

There is every indication, however, that the days when Reading might expect to attract major relocations from London are over, if indeed they ever really began. MEPC, which built a 150,000 sq ft office building for a single user, had in the end to adapt it to multi-occupancy. It is now building two further developments, both of 100,000 sq ft, specifically designed to accommodate a number of tenants.

According to Mr Paul Bradley of BDG, any demand for larger office space is coming mainly from businesses already based in Reading but with their operations spread across a number of older, refurbished premises in the town.

In the financial services sector the biggest success story is Kellock, the factoring company which was set up almost 10 years ago by two entrepreneurs, Ben Allen and Nick Oppenheim, and today has a turnover of approximately £200m, employs 75 staff and runs six regional offices. The company, in which the London and Edinburgh Trust now has a 60 per cent stake, recently became among the first tenants to move into Abbey Gardens, a new office development, and was followed by Prudential Insurance.

It is the financial services sector, in particular, that is creating the demand for high-rise office space in the centre of Reading, while high technology companies, preferring large areas of space on one floor, have moved to the outskirts, where they also enjoy the benefits of easy access and parking.

Reading should have tried to avoid overdependence on financial services, says Mr Bradley. "But it has become quite a wealthy town in its own right, and hasn't felt the need to market itself more widely. It is now the market place that is wagging the town. If the financial services sector doesn't get the buildings it needs, nor the accompanying infrastructure, it will go elsewhere. With a daily influx of 450,000 workers into the centre of Reading already, most of them in cars, any more large-scale office developments, and the town's infrastructure will be seriously impaired."

The Tate and Lyle analytical laboratory, an example of industrial collaboration on the campus of Reading University

Reading University

More industrial funding

THE PRESENCE of Cadbury Schweppes and Tate and Lyle on its campus has well and truly established Reading's reputation as a European centre for food research. The university is seeking to extend industrial collaboration to other disciplines, both as a supplement to its income and to reinforce teaching at undergraduate and post graduate levels.

According to the latest figures, it derives over five per cent of its income from collaborative research, consultancy and special and short courses, putting it 11th in the league table of 43 universities. In 1980, income from industry was small, but now approaches £1.5m out of a total of £35m.

The increasing orientation towards industry and commerce is reflected also in the proportion of Reading graduates going directly into these sectors, which at over 40 per cent is higher than other universities of the same size.

It is intensifying the marketing for its services. A development manager has been appointed, for example, part funded by the Government's PICKUP scheme and part by the university, to encourage departments to come forward with ideas for short courses.

Last year, an industrial liaison committee was formed. A folder outlining ways in which university departments might collaborate with industry was taken to the Barclays Techmart exhibition in Birmingham, where the university had a stand. This prompted some 150 firm inquiries from organisation interested in placing research contracts with Reading. The folder was also circulated to the British Institute of Management, the CBI and the Reading Chamber of Commerce and Trade.

Each department has an industrial liaison officer to place inquiries with the relevant member of staff as quickly as possible.

"We are trying to see whether even the most unlikely departments have something they can market in the outside world," says Professor Giles, the committee's chairman. "Although Reading has the largest agriculture and food faculty in the UK, they are by no means the entire story. They are still a minority interest within the university, with more students studying pure sciences and arts and social sciences."

One of the largest research contracts awarded this year by industry was to the psychology department. Rothmans International is spending £172,300 on research into smoking and behavioural response, smoker characteristics, smoker reaction and substance use.

Computer sciences is one of the expanding faculties, with two new professors and a computer sciences building costing £750,000 financed out of the university's own resources. One wing of that is let to staff with research contracts from industry.

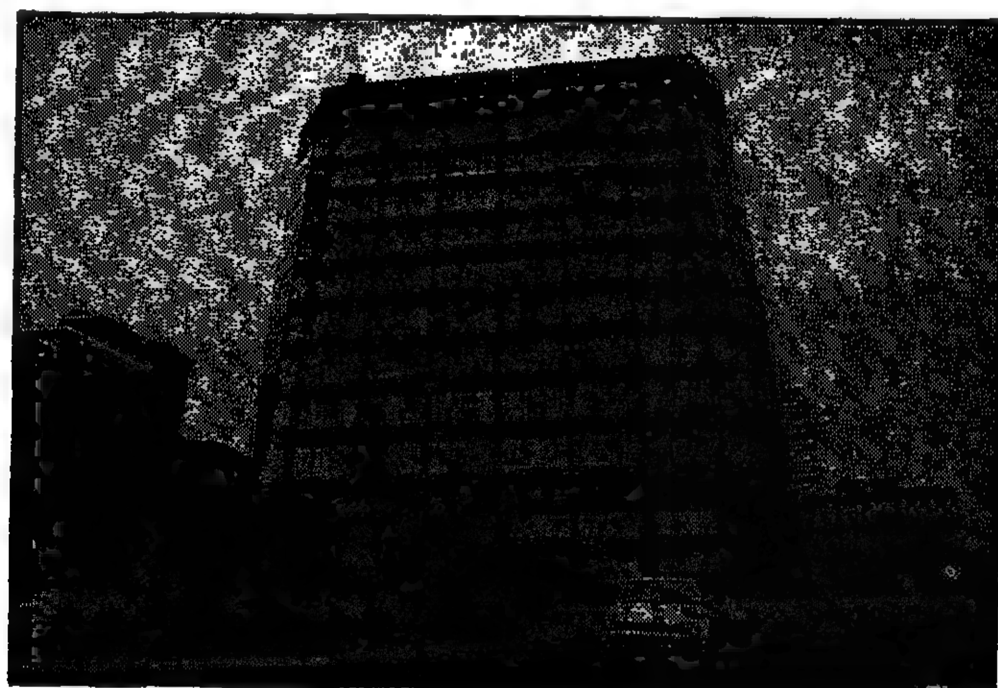
The most important piece of collaboration has been with Digital Equipment Corporation, with its European headquarters in Reading, on its European network engineering group. As an aid to this work, Digital installed two VAX 11/750 mini computers in the university's computer centre.

Food studies and agriculture are, nevertheless, the areas of research for which Reading has the greatest international reputation. Cadbury Schweppes' and Tate and Lyle's laboratories together employ some 150 research staff, with the two directors each having professorial status.

Both centres, pursuing fundamental research into the science underlying present and possible future products, are equipped with a range of modern instrumentation, equipment to which the university has access. The university, in turn, has facilities in its controlled environment laboratories for growing plants which are used by Tate and Lyle.

University staff collaborate on research projects, while research students in the university's chemistry department, for instance, have come up with findings which have been of use to Cadbury Schweppes in the development of new products.

Both companies help fund studentships and post-doctoral fellowships and take part in international symposia organised by the university. "They tap our expertise and facilities, while we use theirs," says Dr Gordon Birch, chairman of the university's carbohydrates and sweetness group. "My own relationship with Tate and Lyle would have been close anyway but other colleagues, such as those involved in psycho physics research, have definitely benefited from the companies' presence on the campus."



Foster Wheeler, one of Britain's largest process plant engineering and design companies, has its headquarters in Reading and is the largest private employer with about 2,000 in various offices

Fast growth causes bottlenecks

CONTINUED FROM PAGE ONE

obstruct proposals for improvements to the areas infrastructure, including housing, which its growth requires.

"Central government hasn't provided the infrastructure for growth. Neither has it taken a serious look at local government boundaries and the way that development should be planned."

The borough council, nevertheless, has a substantial programme of council house building within its own area, and plans to spend £23m on sites, both in the town centre and on the periphery. Pressure on housing, particularly in the lower income group is of growing concern to industry and commerce in the town.

In the higher managerial and professional groups, businesses are finding it difficult to compensate for the difference in house prices between Berkshire and the north of England.

"The building of some 200 units in the next three years will make a contribution, we hope, to the need for key worker housing," Mr Tee says. Just outside the borough, there is a proposal for what would be the largest private sector housing development in Western Europe, so relieving constraits on people wanting to move to Berkshire from outside the south east.

But, while high tech firms cast their nets wider and wider to meet the demand for specialist computer and engineering skills, Reading's semi-skilled and unskilled labour force has been left somewhat behind. There are a number of large retail developments planned for the town, which should help provide jobs for some of those at present unemployed. Unemployment levels in parts of Reading have reached 20 per cent.

Tourism is seen as another way of balancing the investment taking place in high technology and office employment generation. Over the past five years, the county council has spent £150m on tourism promotion and development. A major four star hotel is planned, for example, while Reading has two large hotels adjacent to the M4.

It is a popular location for conference and business meetings, with so many of the companies in the area, such as Bank of America, Digital and Porsche, having an international flavour. Because of Reading's general image of success, it is seen by companies as a good place to launch new products.

But equally, many of the 10,000 jobs on offer in Berkshire are for skilled workers. "It is increasingly unrealistic to expect to be able to recruit staff from the north of England because of the cost of moving to Berkshire," Mr Handley says. "There needs to be increasing emphasis by councils and business on adult retraining. That is a more productive and sensible way forward than bringing in more workers from outside."

There is already evidence of that co-operation, with Digital and the county council co-sponsors of an Information Technology Centre and 20 companies, such as Racal, Metal Box, Deloittes, Peat Marwick, Mitchell and Nabisco, sponsoring the Berkshire Enterprise Agency. Reading Borough Council recently decided to take a more active role itself, setting up an economic promotion sub committee which is due to produce a draft report in the New Year. One of its major concerns is likely to be the gap in the provision of sites for small firms.

"The aim is to maintain Reading's broad employment base," Mr Tee says. "We could sit here and do nothing and the town would continue to grow. But it is the council's view that it should take a hand in shaping that growth.

"By reason of its geographical location and communications, Reading cannot fail as a town. That is what has driven its economy forward, and will continue to do so in the future."

Retail sector

Infrastructure lags behind development

A GOVERNMENT official once described Reading as having "one of the most important and flourishing shopping centres in the South of England." Judged by rental levels for prime high street locations, Reading's retail sector is at least in step with the south east as a whole, and marching well ahead of other Berkshire towns such as Newbury and Windsor.

According to figures from the Investment Property Data Bank, estimated rental values in Reading have increased by 8.6 per cent since 1980, in line with the average for retail premises in the south east.

Another barometer, the level of investment in shop refurbishment, also indicates that confidence in Reading as a major retail centre continues to run high, with some £50m being spent over the past five years by the major high street multiples, most of them concentrated along the town's Broad Street, House of Fraser is the only major retailer without a presence in Reading.

But store managers, without exception, express concern that the town's infrastructure has not kept pace with these improvements. In the run up to Christmas, the local radio station was announcing that car parks were full to bursting by 11 am on Saturday mornings, while roads into the town are notoriously unable to cope with peak traffic conditions.

"Because of congestion in central Reading, we are trying to encourage retail warehousing to locate on town centre fringe sites," says Mr Stuart Hylton, of the borough council.

Berkshire county council's plans to spend £80m on Reading's roads over the next 10 years should ease congestion, while more people come shopping by public transport than is generally the case in the south east. The town is trying to build on that, with the county council complementing its road building programme with improvements to public transport. Park-and-ride schemes are one option being considered.

Mr John Hunt, chairman of the retail section of Reading's chamber of commerce and trade would like to see central government step in. "The borough and county councils are fully aware of these problems and I believe they are attempting to do their best, but they do not have the money to do all that is necessary," says Mr Hunt.

Mr Les Wood, general manager of Woolworth Mall, which houses 16 separate specialist shops

"Shoppers want to come to Reading, but will go elsewhere unless the situation improves."

Stores already report considerably increased flows following refurbishment, with customers coming from a wide catchment area of 750,000 people, extending as far as Swindon in the west, Oxford to the north, west London in the east and Guildford to the south.

● Heelas, part of the John Lewis Partnership, recently completed a six year, multi-million pound programme of improvements, increasing its floor area by 50 per cent. Customer flow so far this half year is 26 per cent up on the same period last year, and 49 per cent up on 1984. The nearest JLP store is Peter Jones in central London, while Heelas' free delivery area extends as far as Swindon to the west and south to Basingstoke.

● Marks and Spencer altered its store throughout in line with its new image nationally, added a new sales floor of 19,000 sq ft, and extended the food sales area to 14,500 sq ft. It was also the first M and S store in the country to offer a men's tailoring service. The nearest M and S stores to Reading are in Newbury, High Wycombe, Oxford and Basingstoke.

● Work on British Home Stores were completed in September. With the removal of foods from the sales area, the space allocated for other merchandise increased by over 10 per cent. BHS reports customers coming from as far afield as Oxford. The closest BHS stores are in Slough, Swindon and Ealing, in west London.

● Reading is one of the test sites for Woolworth's new concept, the shopping mall. The floor area of 33,300 sq ft was converted to house 16 self-contained specialist shops. The conversion, costing in excess of £1m was completed in September 1985, creating an additional 70 jobs.

The Butts Shopping Centre, acquired by Hillier Parker for Kleinwort Benson Trustees, is also the subject of a major refurbishment. "Built in the 1960s, it has had more than its fair share of problems," says Mr Tony Bickmore, project manager. "Dingy lighting has done little to enhance the shops, while wide walkways have proved as attractive to loafers and loiterers as to shoppers. There is poor access between trading levels and the council-owned car park. Not surprisingly, the tenant mix is poor, too, and the major names in retailing have stayed away.

"The centre has a bad image locally. We are looking to improve it, give it a new name, repackage it and change its identity and aspirations in the retail market, with one of the first priorities being to create a much stronger presence on Broad Street. An aggressive policy of improving the tenant mix is in hand, and demand from preferred retailers has been very encouraging."

No new space is created by the refurbishment. In fact, the net retailing area is reduced by environmental improvements, but the investors hope to recoup any shortfall in rental income by charging rents at review that take the improvements into account.

Presure on the town's already overstretched infrastructure can only increase should a large retail scheme planned by London and Edinburgh Trust for the former site of the Courage Brewery proceed. LET has consent for 230,000 sq ft of offices, but hopes instead to supplant the office scheme with a large retail development.

"The council is happy with a major retail scheme in principle, but some aspects of the design need changing," says Mr Stuart Hylton of Reading Borough Council. The council is concerned, in particular, about the demolition of listed buildings and closure of streets that could result. It has commissioned an impact study from consultants Roger Tym, due to be completed in the New Year. needs. "Over the past 10 years, the town has seen a gradual erosion of its role as the shopping hub of the Thames Valley, says Mr John Newman, one of its directors. "While principal retailers like the John Lewis Partnership and Marks and Spencer have major commitments to Reading, the pressure to move to green field sites out-of-town will be irresistable, unless there is concern by residents to ensure that the town centre remains an object of pride."

In outline, LET's proposal incorporates:

● Flexible shop sizes for a wide range of fashion and speciality shops and stores "which at present cannot find suitable space in Broad Street";

● Parking for an additional 1,100 cars linking directly into the main shopping concourse. Lifts will provide access to an existing 600 space car park from within the scheme;

● Traffic-free pedestrian routes criss-crossing the site, with cars and delivery vehicles segregated from pedestrians at a lower level;

● At the same level as a riverside walk, a series of restaurants, a food court, creche and a water feature with views out over a new mooring basin for narrow boats and other river traffic.

With practically half of the retail development allotted to Reading up to 1986 already accounted for, there must be some truth in LET's statement that its scheme "could provide the last opportunity to rekindle the centre of Reading as the vibrant retail focus of the Thames Valley."

Heelas, part of the John Lewis Partnership, recently completed a multi-million pound refurbishment programme

Berkshire Enterprise Agency

Start-ups lack premises

EVEN A buoyant economy such as Reading's can bring problems in its wake it seems. The town's start up businesses face particular difficulties of costly premises and a shortage of skilled labour. The Berkshire Enterprise Agency, (BEA) with 50 per cent of its work concentrated in the town, aims to correct these imbalances.

As a measure of its credibility, the agency was given a five year remit by its present sponsors, which include Berkshire County Council, Lloyds Bank, British Rail and British Telecom. This followed the submission of its strategic plan 1985-1988.

British Telecom's Thamesway division plans to use its influence throughout the county to encourage many more local companies to support the agency's work by becoming sponsors.

Further, £500,000 has been committed by the county council's Superannuation Fund to enable the BEA to provide local companies with equity finance of anything up to £50,000.

A qualified accountant seconded for six months from Deloitte, Haskin and Sells, sponsors of the BEA, and other secondees from British Rail and Lloyds, have provided increased stability and effectiveness, and the model for future approaches to sponsoring firms for secondees, British Rail also provided the agency with computer equipment.

Lloyds Bank is now thinking seriously about using the BEA

Mr Roy Hale, director of the Berkshire Enterprise Agency: hoping to correct imbalances

small firms, possibly the first understand the problems of initiative of its kind in the UK.

"A large part of our work is dealing with bank referrals, where the bank can see trouble coming up," says Mr Roy Hale, director of the BEA. This year, the agency, now a private company limited by guarantee, has conducted 1,500 client interviews, a 30 per cent increase on last year, supporting some 200 firms. "Our work now has as a training ground for its middle managers to help them more to do with developing rather than start up companies, helping businesses restructure themselves. We help them trade through difficult circumstances, often meaning undercapitalisation, into calmer waters.

"We are not trying to usurp the role of local professionals advising companies, but to help people who cannot afford professional advice and who would neither get to the market place nor stay there."

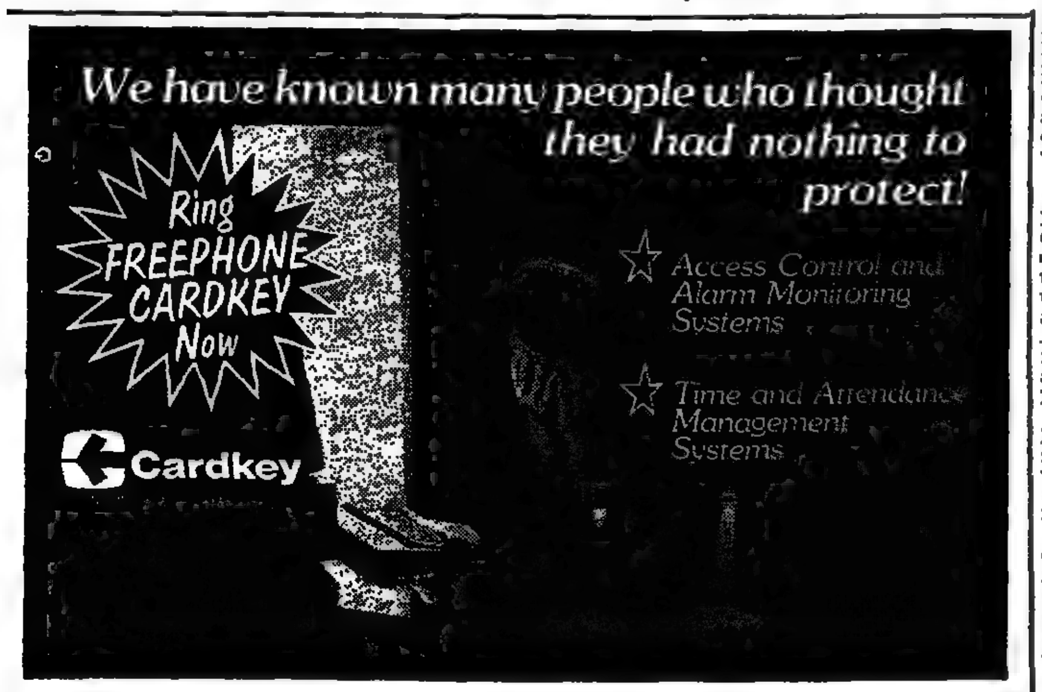
While under-resourcing, whether of finance or manpower, is the main problem faced by small businesses, government legislation, particularly VAT, is an additional headache. But in Reading, the special difficulty is shortage of premises.

Mr Hale estimates that in 1985, 293 businesses failed to get off the ground due to the dearth of suitable units across the county. The figure so far this year is 371.

"I've tried very hard to get involved in providing start-up units. British Telecom offered premises surplus to requirements for 34 start-up units. But they are still vacant with the local council wanting to use the site for public housing.

"There is a sign of a change in the borough council's thinking. The economic sub-committee has asked for a submission as to what we are doing and how it could help.

"More small manufacturing and service companies employing semi-skilled and unskilled labour would help us mop up Reading's small pockets of bad unemployment. The area could become too dependent on high technology. It still has a wide economic base and I would like to see that maintained."



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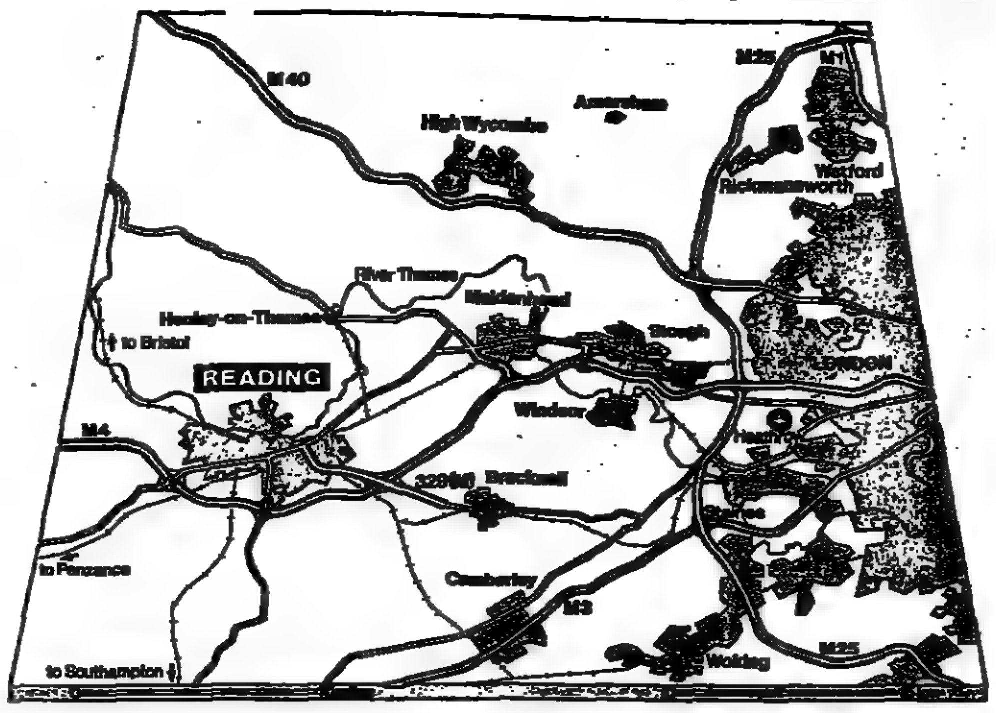


Industry

Shift to high-tech causes little pain

THE TRANSITION from traditional manufacturing to light engineering, computer services and the production of high technology electrical components has been a relatively painless one for Reading so far. Indeed, it could hardly have failed to attract such industries, located—as it is within Silicon Valley, and the M4 corridor.

It was the enterprises of Simonds, Suttons and Huntley & Palmers that made the town famous well into the 20th century for the three Bs, beer, bulbs and biscuits. Simonds, long since merged into Courages, survives in the form of the large modern brewery beside the M4 motorway. The sites of the others now provide industrial estates and residential accommodation.

SPP is the latest, and one of the last traditional manufacturing companies to decide to move its manufacturing plant from Reading, though it has others elsewhere in Berkshire, and in Warwickshire and in Holland. SPP will retain its head office in the town where it has been based since 1901, but will move the manufacture of its pumps to Gloucestershire, where it recently gained a modern plant as part of the acquisition of Henry Sykes.

The transfer will be completed in November next year and the company hopes that at least 30 per cent of the 200 employed in manufacturing will make the move.

"The value of land here is such that we can sell much of our eight acre site, move to Coleford and extend the plant there," Mr Bob Moore, SPP's chief executive says. "Since the company gained plc status and went to the Stock Exchange in November 1985, it has been under increasing pressure to get a better return on its assets. In Reading, we are unable to get that return on land."

However, a shortage of blue collar workers is another reason for the move. "During the period of peak orders for the oil industry, we have been unable to fill vacancies for turners and fitters. People aren't being trained in the area for traditional manufacturing. With the increasing bias towards computer companies employing young computer engineers, it is inevitable that our type of industry will move out," says Mr Moore.

Mr Marcus Palliser, Digital's corporate communications manager, says that the main reason against expansion in the town is traffic congestion.

Motorola, Panasonic, ICL, Digital Equipment Company, Racal, Sony and Norsk Data are just some of the companies to have come in to take their place.

Digital was one of the first of the new generation to locate in Reading. Since 1964, it has grown to an organisation employing 1,600 people and has just announced its commitment to take on an additional 300 to be employed at its various offices in the city. In addition to its headquarters, DEC has its research and development centre in the town. Officially opened this year, it carries out research for the worldwide market. The company also has three other offices in Reading, and a further site at Winnersh.

"Most of the original reasons why we came here still hold good," Mr Marcus Palliser, DEC's corporate communications manager, says. "The motorway ended here, there was a good rail service, now greatly improved, while we were only 25 minutes from Heathrow. All parts used by Digital were flown in from the US. Our customers in those days, such as Oxford University and defence research establishments were nearby.

"Yet we have decided in principle not to expand our Reading operation much more. One of the principal reasons is the traffic congestion in the town. The difficulties in getting to work cost the company an arm and a leg in wasted time. Another factor is the price of industrial land, at sometimes £1m an acre, without planning permission."

Digital recently decided to locate a second semiconductor fabrication plant in Scotland, with the infrastructure necessary for the semiconductor industry already in place.

"In any case, the company can increasingly decentralise functions such as accounting communications network. We are concentrating on hiving off more and more of these functions to district level offices near motorway junctions."

Digital is also finding it more difficult to attract suitably qualified staff from outside the south east. The price of housing, and the general cost of living is one explanation. The extra salary doesn't fully compensate.

"Competition is becoming keener and keener as firms decant out of London along the Thames corridor," says Mr Alan Hovell, Digital's recruitment consultant. "We are in competition, not only for people in the computer industry, but for other professionals. To a certain extent, we are after the same staff as other technology-based companies in Reading."

Digital, which took on 35 graduates last year, is looking increasingly at the possibilities of recruiting more from universities in the region. "It is one way round the housing and cost of living problem if someone already lives in the area," says Mr Hovell.

The company also intends to expand its involvement in local training schemes, from YTS upwards. Last year, it took over 30 YTS trainees, while it is one of the principal "local" sponsors of the Reading ITEC (Information Technology Centre), taking ITEC trainees on placements, and providing computer equipment to the centre.

As some of the larger technology-based companies in the town have found themselves in competition with each other for personnel, the expanding reservoir of talent has proved to be something of a boon for the smaller, expanding companies.

Take Care Software Technology, a systems house for personal computers, started in Reading in 1983 with a staff of nine and now employs 60. Take Care develops software, supplies and maintains personal computers, and also offers consultancy and training.

All three directors were working in the area before, so in the first two years they asked people to join the company whom they already knew. More recently it has brought in staff through its own recruitment agency, Care Recruitment. Only three company employees commute out of London. Most of its staff were already working and living in the area, primarily on the western rather than eastern side of Reading where house prices are lower.

"Senior staff have come mostly from other companies in the Reading area. The larger companies can give the training and experience which a company of our size cannot provide," says Mr Tim Craig, Care's managing director.

"Larger companies, I realise, have great difficulty recruiting the right staff. But being a smaller company, we are able to offer a more flexible pay scale to attract them. Though really senior people such as project managers and line managers are in short supply throughout the country, Reading has less difficulty drawing them in than in other areas in the UK."

Care has also been able to expand its site without too much problem. In 1983, it occupied 2,500 sq ft, and now takes up 12,000 sq ft. "It is generally a little bit expensive, but we are close to the town centre, and have a large car park at the back.

"The company also benefits from good transport links. The M4 is within three miles, allowing us to sell and service installations across the country, as far north as Aberdeen, as far west as Wales. We also service sites in Western Europe, via Heathrow and Gatwick."

However, Care has been more fortunate than most in being able to grow so close to the Reading town centre. Sites are in increasingly short supply, while access is becoming a major headache. The surge in industrial land prices in Reading has prompted light industry to take the profit on a site and move out.

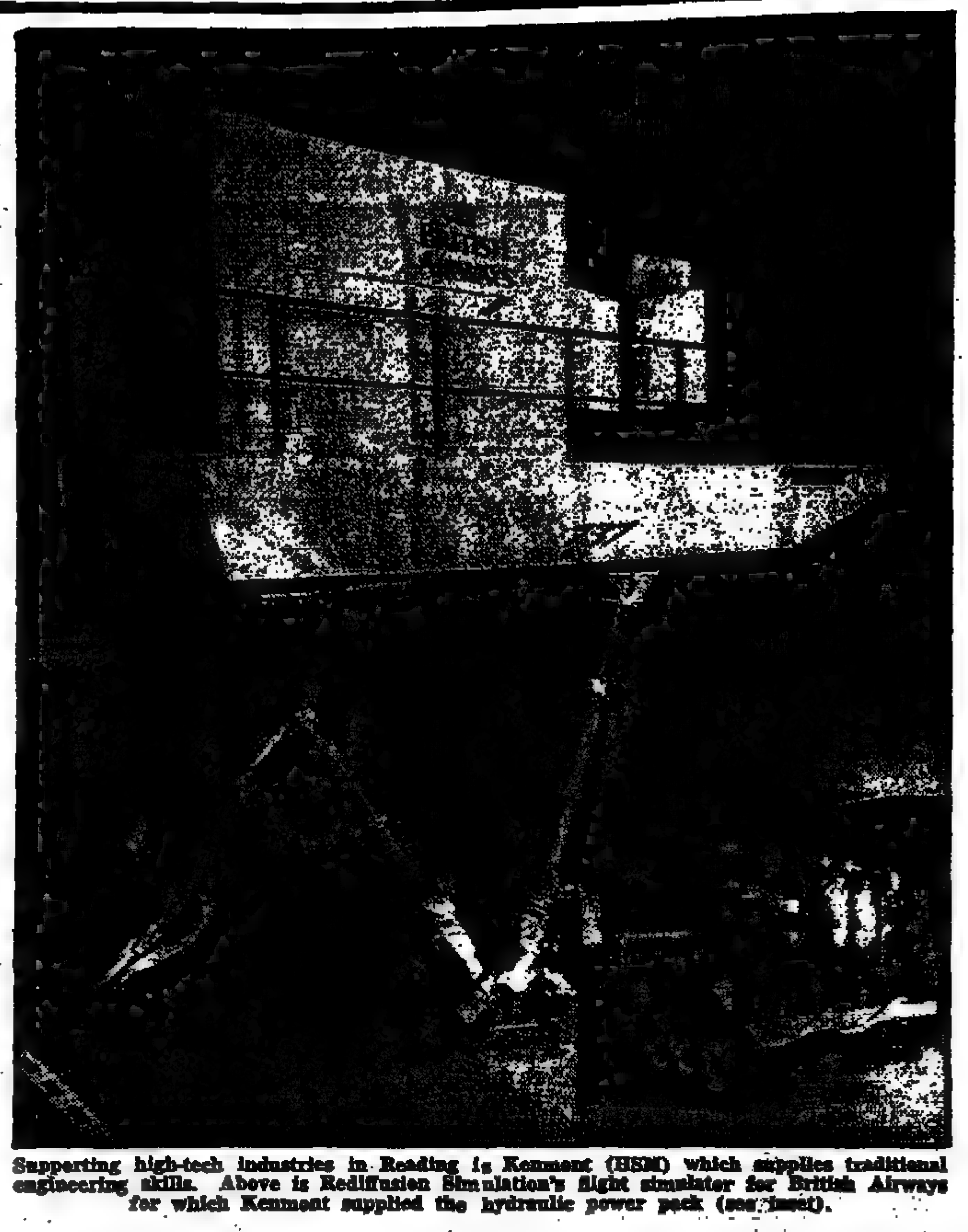
The provision of industrial and high tech premises on Reading's fringes, closer to road ingly explored, though the county council has a policy of restricting development to areas north of the M4.

Reading Borough Council has indicated that it is "favourably disposed" to a 200-acre development of industrial and high-tech units at Kennet Valley. As part of the proposal, the consortium of developers would build an A33 relief road from Junction 11 on the M4 to the town centre.

Other high-tech and business park developments are planned, though neighbouring Wokingham District Council turned down an application by Speyhawk Land and Estates to build an entirely new settlement at Great Lea. The proposal included housing, major shopping, hotel and conference facilities as well as a business park.

Speyhawk, which sees the scheme as potentially relieving pressure on Junction 11 of the M4, would have made a substantial contribution to the cost of a bridge over the motorway. The appeal is due to be held this summer.

However, agreement has been reached in principle between Speyhawk and Wokingham and Berkshire County Council for another business park development. The Thames Valley Park, extending to some 200 acres, 130 of them a landscaped park, will be geared to high-tech and office use. The road pattern planned allows for individual buildings up to 250,000 sq ft, with over one million sq ft of premises provided in total. The target date for occupation of Thames Valley Park is January 1990.



Supporting high-tech industries in Reading is Kenmont (HSM) which supplies traditional engineering skills. Above is Rediffusion Simulation's flight simulator for British Airways for which Kenmont supplied the hydraulic power pack (see inset).

International Property

Company Notices

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ALGERIE - الجزائر

MINISTRY OF TRADE

ENAPAL

Notice of International Invitation to Tender N/02/87

The Enterprise Nationale d'Approvisionnement en Produits Alimentaires (National Food Supply Company) ENAPAL issues an Invitation to Tender for the supply of:

5,000 and over tonnes of fresh unsalted pasteurised butter.

Interested companies may collect the specification against payment of 200 DA (Algerian dinars) from ENAPAL, 29 Rue Larbi Ben M'Hidi Algiers.

Tenders in duplicate together with the statutory documents should be sent to the above mentioned address in double sealed envelopes, the outer envelope only bearing the following wording:

International Invitation to Tender N/02/87, not to be opened.

The final date for submission of tenders is 30th January 1987. Tenderers will be committed to their tender for 60 days from the closing date of this invitation which is addressed only to producers and bodies specialising in marketing in accordance with the provisions of Law No. 78-02 of 11th February 1978 relating to state monopoly on overseas trade.

anep/alger

ALGERIE - الجزائر

MINISTRY OF TRADE

ENAPAL

Notice of International Invitation to Tender N/03/87

The Enterprise Nationale d'Approvisionnement en Produits Alimentaires (National Food Supply Company) ENAPAL issues an International Invitation to Tender for the supply of:

1,000,000 and over boxes of 24x500 GRS units of "A Lahda" instant powdered milk.

Interested companies may collect the specification against payment of 200 DA (Algerian dinars) from ENAPAL, 29 Rue Larbi Ben M'Hidi Algiers.

Tenders in duplicate together with the statutory documents should be sent to the above mentioned address in double sealed envelopes, the outer envelope only bearing the following wording:

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anep/alger

Legal Notices

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
No. 007512 of 1986
MR. REGISTRAR BRADBURN
IN THE MATTER OF HEMINGWAY ADVERTISING LIMITED
and
IN THE MATTER OF HEMINGWAY ADVERTISING (MIDLANDS) LIMITED
and
IN THE MATTER OF HEMINGWAY ADVERTISING (NORTH) LIMITED
and
IN THE MATTER OF HEMINGWAY RECRUITMENT ASSOCIATES LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated the 31st day of October 1986 made in the above matters the Court has directed a Meeting of the General Creditors being all creditors of any one or more of the above-named Hemingway Advertising Limited (hereinafter called "Hemingway"), Hemingway Advertising (Midlands) Limited (hereinafter called "Midlands"), Hemingway Advertising (North) Limited (hereinafter called "North") and Hemingway Recruitment Associates Limited (hereinafter called "Recruitment") as at the date of the liquidation of each of the said Companies being the 12th January 1984 (other than (i) Barclays Bank PLC and (ii) Creditors of any one or more of Hemingway, Midlands, North and Recruitment whose claims as at the 12th January 1984 were preferential under Section 319 of the Companies Act 1948) to be convened for the purpose of considering, and if thought fit, approving (with or without modification), a Scheme of Arrangement proposed to be made between Hemingway, Midlands, North and Recruitment and the General Creditors and that such Meeting will be held at the Connaught Rooms, Great Queen Street, London WC1 on Tuesday, the 3rd day of February 1987 at 11.30 o'clock in the forenoon at which place and time all the General Creditors are requested to attend.

Any person entitled to attend the said Meeting can obtain copies of the said *Scheme of Arrangement, forms of* Proxy and copies of the Statement required to be furnished pursuant to Section 426 of the Companies Act 1985 at the Registered Offices of the said Companies all situate at 1, Wardrobe Place, Carter Lane, St. Paul's, London EC4V 5AJ and at the office of the under-mentioned Solicitors at *the address mentioned below during* usual business hours on any day (other than a Saturday, Sunday or Public Holiday) prior to the day appointed for the said Meeting.

The General Creditors may vote in person at the said Meeting or they may appoint another person whether a General Creditor or not as their proxy to attend and vote in their stead.

It is requested that forms appointing proxies be lodged with the Joint Liquidators of the said Companies Patrick Walter John Hartigan and David Buchler at the registered offices of the said Companies situate at 1, Wardrobe Place, Carter Lane, St. Pauls, London EC4V 5AJ not less than 48 hours before the time appointed for the said Meeting, but if such forms are not so lodged, they may be handed to the Chairman at the said Meeting.

By the said Order the Court has appointed Patrick Walter John Hartigan or failing him David Buchler to act as Chairman of the said Meeting *and has directed the Chairman to* report the result thereof to the Court. The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated this 7th day of January 1987

Wm. F. Prior & Co.,
Temple Bar House,
23-28, Fleet Street,
London, EC4Y 1AA
Tel: 01-353 3571
Ref: OJL/18W5N2
Solicitors for the Joint Liquidators of the above-named Companies

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

J. M. Iredale and C. J. Barlow, of Cork Gully, Phoenix House, Station Hill, Reading, Berks., RG1 1UN, were appointed Administrative Receivers of GERALD HUGHES (CHEMISTS) LIMITED Registered Number 645359 by Midland Bank plc on 30 December 1986.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

Name of company:
FREDERICK PARKER (EXPORTS) LIMITED
Registered No. 984307
Names and address of administrative receivers: M. A. Jordan and R. M. Addy, Shelley House, 3 Noble Street, London EC2V 7DQ. Date of appointment: 30th December 1986.
Names of appointer:
LLOYDS BANK PLC.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

Name of company:
FREDERICK PARKER PROPERTIES LIMITED
Registered No. 1083842
Names and address of administrative receivers: M. A. Jordan and R. M. Addy, Shelley House, 3 Noble Street, London EC2V 7DQ. Date of appointment: 30th December 1986.
Names of appointer:
LLOYDS BANK PLC.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

Name of company:
HIREPLANT LIMITED
Registered No. 311117
Names and address of administrative receivers: M. A. Jordan and R. M. Addy, Shelley House, 3 Noble Street, London EC2V 7DQ. Date of appointment: 30th December 1986.
Name of appointor:
LLOYDS BANK PLC.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

Name of company:
HIREPLANT (CONTRACT CRUSHING) LIMITED
Registered No. 1464222
Names and address of administrative receivers: M. A. Jordan and R. M. Addy, Shelley House, 3 Noble Street, London EC2V 7DQ. Date of appointment: 30th December 1986.
Name of appointor:
LLOYDS BANK PLC.

FINANCIAL TIMES SURVEY

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ON JANUARY 30, 1987

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BUSINESS LAW

City sanctum versus international order

By A. H. Hermann, Legal Correspondent

IN DELPHI, some years ago, I was sharply pulled out of the twilight of mystery and myth by the realisation that this was the place where the warring city states of ancient Greece kept their money and kept it rolling on Apollo's holy ground, in spite of hostilities. Some of this money could no doubt be used for creating terror and subversion but Apollo's financial priests, it seems, granted sanctuary even to such dirty money.

A pre-Christmas decision* of the Court of Appeal (London) lifted the High Court judgment, which adopted a similar stance and ordered the London branch of Bankers Trust (BT) to pay to the Libyan Arab Foreign Bank (LAFB) $130m in spite of a US presidential blocking order. The three appeal judges agreed that the matter was much too complicated to be dealt with summarily and required a full trial which has now been listed for June of this year.

Unless an unlikely appeasement takes place in the meantime, the trial will attract the attention of bankers worldwide. They will wish to see how the English courts will deal with *the US claims of extraterritorial jurisdiction*—an issue which was avoided in 1979 when President Carter compromised with the Ayatollahs over the hostages kept in the US Tehran embassy. In addition they will look for a judicial definition of eurodollars and for an answer to the question whether the clearing practice of the US banks amounts to legal usage respected by courts and, if so, whether it is applicable in circumstances of the present case.

The facts from which the dispute arose are simple. A deposit account of the LAFB with the London branch of the BT was established in 1973, bearing interest at rates reviewed from time to time. It was a "call account" from which money should be available on demand. At various times the credit balance exceeded $200m but occasionally the account was in overdraft. Movement was mostly in very very large amounts, frequently in multiples of millions.

With a few exceptions before 1980, all withdrawals and transfers were effected through banks in the US. There were no cash withdrawals and no operation by means of cheques.

In 1980 a "Managed Account Agreement" resulted in the opening by LAFB of a current, non-interest bearing account at the BT's head office in New York. This was then used for daily operations and was maintained on a credit balance of $500,000 with daily transfers in multiples of £100,000 to and from the London deposit account.

This arrangement may yet enable the courts to avoid the more difficult issues if they accept the American bank's contention that whatever the legal position was before 1980, the Managed Account Agreement had the effect that withdrawals or transfers from the London account could be initiated only by instructions given in New York.

On April 28 1986 the Libyan bank asked for the entire credit balance of the London account, amounting to $131m. It gave specific instructions that this money should be paid to it preferably by a negotiable banker's draft but was also willing to accept payment in cash. The draft was to be drawn on Bankers Trust in London to the order of LAFB.

The American bank felt unable to comply with this instruction because of the two executive orders of the President of the US of January 7 and 8 1986, which ordered the blocking of bank accounts controlled by the Central Bank of Libya and held by American banks in the US and abroad. The LAFB is wholly owned by the Central Bank of Libya.

The Libyan bank answered the refusal to pay with a writ and obtained on October 17 1986 a summary judgment under order 14 of the rules of the Supreme Court. Mr Justice Evans held that there was no defence to the Libyan claim for $131m together with interest and costs. The American bank appealed, claiming that it should have been given unconditional leave to defend the action.

At first sight, the decision of the High Court judge appeared reasonable. As Lord Justice Mustill said, it had seemed to him initially that "one would need to find a convincing reason why a customer who was depositing money with bankers in London should be compelled to cross the Atlantic in order to have it repaid." The argument of the American bank that clearings are in practice usually routed through the US appeared hardly relevant to a case where the customer was seeking payment to himself so that no clearing was required.

As the argument developed, however, Lord Justice Mustill recognised that it was possibly wrong to assume the existence of a right to draw funds in the appropriate currency at the branch where the account was maintained and that it was for *the bank to prove that this rule* did not apply in a particular case. The rules developed for ordinary sterling bank accounts need not necessarily apply to the novel banking practice of keeping large dollar balances overseas, primarily for investment purposes. It may be that the correct approach, said Lord Justice Mustill, was "to start completely from scratch, and to ask, in the light of the entire commercial context, what rights *and duties* (the type of transactions) must be assumed to involve."

The main judgment was delivered by Lord Justice Kerr. His conclusion that the case was unsuitable for resolution by *summary procedure* rested on the recognition that the dispute involved complicated issues of fact and law which could not be satisfactorily settled on the basis of affidavits untested by oral examination in court. In *the process of reaching this conclusion*, Lord Justice Kerr analysed the main issues involved.

The American bank could rely on the presidential orders only if the London deposit *account was governed* by American law or if compliance with LAFD's instructions required some action in the US prohibited by the presidential orders—but *does* the Libyan deposit account fall into this category?

Eurodollars are, as a rule, cleared through the New York Clearing House Interbank Payment System (CHIPS) but this practice does not apply to all dollar accounts in the UK. A substantial US Dollar Clearing Scheme has been in operation in London since 1975 though it was used mainly for settlement of retail US dollar cheques drawn on bank branches in the UK.

The second question is, therefore, whether the Libyan deposit account falls into the first or second category or dollar accounts.

The third issue will be the relevance of the Managed Account Agreements of 1980.

The fourth issue is the nature of the clearing practice. Does it constitute a usage in the legal sense, affecting what might otherwise be LAFB's right to require payment in London?

Another triable issue, though of lesser general importance, might be whether in this particular case the LAFB was entitled to demand payment by a bankers draft or in cash — and with respect to the second alternative, whether a bank in London can reasonably be expected to have such large cash amounts available.

The main argument at the trial—if it comes to one, as we must hope for the sake of clearing these important problems — will be whether the account falls within an acceptable definition of eurodollars and whether the clearing practice applied to eurodollars has the character of legal usage. In this connection, Lord Justice Kerr referred to the description of this practice and the discussion of the connected problems in "The Legal Aspects of Money" by Dr F. A. Mann and the "Payment Obligations in Commercial and Financial Transactions," by Professor R. M. Goode. One of the questions here will be whether the eurodollar market has expanded beyond time deposits to include call accounts and demand accounts, such as the Libyan account in the present case.

All these are highly technical questions which bankers would like to have answered. However, in concentrating on these questions one may lose sight of the wood for the trees. After all, is not the main dilemma presented by the desire, on the one hand, to protect the safety of London banking operations from interference by foreign governments and, on the other, *not to frustrate* an allied government's attempt to counteract and contain terrorist activities by blocking money which could be used for financing them — this all the more as the UK domestic legislation has obliged banks to report and to avoid handling money connected with terrorist activities.

Discussing the freezing of the Iranian accounts in 1979, Dr Francis Mann writes:† "On the footing that the contracts with the banks *were governed* by English law, could the banks rely on the American legislation prohibiting payments to Iranian creditors? Normally the answer would clearly be in the negative. But it is submitted that there existed an *ordre public international* in the true and most direct sense, which would have allowed and, indeed, compelled English courts to assist in the elimination of a plain international illegality and in the interest of the world community at large to lend support to any ally's policy of retaliation. The point was not one of politics, but of law and morality. It should not have depended in any way on the attitude of the executive. It would have been a matter of judicial conscience."

Such international public policy has been well defined in numerous declarations which governments are always ready to adopt, though not very quick to enforce by action. Will English courts give it more muscle? It would be nice to think that they will, but it is more realistic to expect a solution based on technical issues of banking practice.

** Libyan Arab Foreign Bank v Bankers Trust, judgment of 17 Dec 1986.*

† In Foreign Affairs in English Courts, p 158.

Arts Week

F	S	Su	M	Tu	W	Th
9	10	11	12	13	14	15

Exhibitions

WEST GERMANY

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.;

Münster, Westfälisches Landesmuseum, Domplatz 10: August Macke: To mark the 100th anniversary of his birthday, the museum, helped by the Macke archive and sponsored by the estate of Northrhein Westphalia, is displaying 160 paintings, 130 pictures, 70 watercolours and documents. Macke, born in Meschede (Westphalia), studied in Düsseldorf and Berlin under Lovis Corinth. He was responsible for a new art form before the First World War. In the spring of 1914, he went with Paul Klee and Louis Moilliet to Tunis. In the same year, he was sent to the front in France, and died in action in Champagne. Ends Feb 2.

Hannover, Sprengel Museum Kurt-Schwitters-Platz: Pablo Picasso, the exhibition is the most complete display of Picasso's works seen in Germany, showing the 417 pieces donated in 1969 by the industrialist Bernhard Sprengel. Sprengel, who died last year, was Germany's leading collector of Picasso's works. The exhibition, with 400 graphic art prints and 17 oil paintings covers the artist's complete artistic range from 1904 to 1968, spanning cubism, classicism and surrealism, as well as Picasso's most recent works. Ends Mar 15.

ITALY

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25–1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

PARIS

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, *objets d'art* and photographs from the end of the romantic period to the beginnings of modern art and the impressionist and Post-Impressionist collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity.

The sculptures come into their own in the immensity of the nave, at the end of which is a large-scale model of the opera and its district below glass tiles. The view of Paris from the terraces is an additional delight. Musée d'Orsay, Entrance 1, rue de Bellechasse (4549 4814). Closed Mon.

Japon des Avant-Gardes: A multi-disciplinary exhibition of some 500 objects retraces the 1910-70 period in painting, architecture and technology and is completed by a musical, theatrical and cinematographical programme. The influence of Japanese art on Western culture is well-known, the European inspiration of modern creativity in the Land of the Rising Sun much less so. The exhibition shows the tensions and contradictions of artists trying to absorb futurism, Dadaism and surrealism, movements so alien to their own ancestral traditions. Centre Georges Pompidou. Closed Tue, Ends March 2 (4277 1233).

Tarento's Gold: Some 1000 exhibits, of which 250 are of gold or other precious materials, bear witness to the sumptuous way of life in ancient Tarento. Found in tombs, the treasure consists of earrings, bracelets and necklaces, all exquisitely worked by goldsmiths during the Hellenistic period. Even everyday objects are stamped with the same high artistic quality, as are delightful clay statuettes. Musée Jacquemart-Andre (4289 0491), closed Mon. Ends Feb 13.

France and Russia in the Century of Enlightenment: A didactic exhibition of 600 paintings, sculptures, objets d'art and rare manuscripts shows how cultural contacts between the two countries, practically unaware of each other at the beginning of the 18th century, grew to a constant flow of ideas and works of art by the end of it. The exchanges, begun by Peter the Great, became ever more intense under Catherine II who was fascinated by French philosophers and French aristocracy's art de vivre. Grand Palais (4289 5410), closed Tue. Ends Feb 8.

NETHERLANDS

Laren, Singer Museum. Glass creations by Sybren Valkema. Ends Jan 18.

Groningen, Groninger Museum. The use of colour in modern European architecture from 1910 to the present. Ends Jan 25.

Amsterdam, Van Gogh Museum. The seven Van Gogh sketchbooks have now been reconstructed and are on display for the first time, with the associated drawings and paintings. Ends Feb 8.

SPAIN

Madrid: Miro sculptures (1893-1983): 100 sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970. Ends Jan 20. Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

Barcelona. Amos Cahan Collection. Spanish Art in New York. A total of 78 paintings by 35 Spanish artists of the 1950-1970 period who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Among the painters are Tapies, Saura, Sempere, Zobel, Torner, Canogar, Mompo, Cuixart and Guinovart. On loan by Dr Amos Cahan, who has one of the top collections of Spanish contemporary art outside Spain. Caixa de Barcelona, Plaza de Sant Jaume Ciutat 1. Ends Jan 20.

Barcelona. Georges Braque. A retrospective gathers 126 drawings, tapestries, sculptures and paintings from 1900 tohis death in 1963. Museo Picasso, Montcada 15-19, ends Jan 25.

Madrid. Masterpieces of the Wuppertal Museum, from Marees to Picasso. Works by relevant artists on loan by the Von der Heydt Museum in Wuppertal: Cezanne, Manet, Kokoschka, Leger, Gauguin, Schad illustrate one of the richest periods of history of art. Fundacion March, Castello 77. Ends Jan 25.

Madrid. Woodner Collection. 125 drawings and first original sketches of masterpieces painted by Vasari, Botticelli, Leonardo da Vinci, Raphael, Rembrandt, Holbein, Carracci, Goya up to Picasso. Prado Museum, Paseo del Prado. Ends Jan 31.

VIENNA

Gold and Power – Spain in the new world: To mark the 500th anniversary of the discovery of the Americas, this huge exhibition of treasures from the Museum of America in Madrid tells the story of the Spanish conquest. The collection, seen for the first time outside Spain, includes ornaments and utensils of indigenous Americans, beautiful Mexican mother of pearl pictures of the blood-and-thunder of the conquest, records of Jesuit missions in Paraguay and stunning gold statues and jewellery from a land mythologised as El Dorado. Vienna is the first stop for this exhibition, which will later travel to Cologne and Budapest. Kunstlerhaus. Ends Jan 25.

NEW YORK

Metropolitan Museum: 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

CHICAGO

Art Institute: The art of Italian Renaissance armourers, with suits embossed with Greek and Roman deities and fantastic creatures of the artists' imagination, is on display in a special exhibit of French king Henry II's armour borrowed from Hever Castle. Ends Mar 1.

TOKYO

American Pop Culture Images Today with works of 60 American artists the exhibition also features a live concert, videos, junk food corner and other aspects of the American pop culture since much has been grafted on to Japan's youth culture by now, the exhibition should reveal the extent to which the original has been changed for Japanese taste, i.e., japanised. La Foret Museum in Harajuku. (475 0411). Ends Jan 17.

Ukiyo-e Traditional Woodblock Prints: Special exhibition on theme of feminine beauty by artists from late Edo period to Meiji spanning nearly 400 years. Azabu Museum of Art, in Azeabu Juban. (582 1857). Ends Jan 25. Closed Mondays.

Opera and Ballet

ITALY

Rome: Teatro dell'Opera: Co-production between the Teatro dell'Opera and the Ballet National de Marseille of a group of ballets by Roland Petit. Alberto Ventura conducts and the scenery is by Josef Svoboda and the costumes by Luisa Spinatelli. The Florence Teatro Comunale's production of Carmen, with Elena Obratzova, Jose Carreras, Mario Malagnini, Silvano Carroli and Daniela Dessi is conducted by Jacques Delacote and directed by Silvia Cassini, with scenery and costumes by Sibylle Ulsamer. (46 17 55).

Venice: Teatro la Fenice: Macbeth conducted by Gabriele Ferro and directed by Luca Ronconi (an updated version of the production for the Deutsche Oper of Berlin in 1980). In the cast are Piero Cappuccilli, Olivia Stapp, Nicolai Ghiaurov and Veriano Luchetti (71 01 61).

Bologna: Teatro Comunale: L'Italiana in Algeri conducted by Bruno Campanella and directed by Jean-Pierre Ponnelle. The cast includes Lucia Valentini Terrani, Ruggero Raimondi and Enzo Dara. (222 999).

Trieste: Teatro Comunale Giuseppe Verdi: Hungarian State Opera Ballet Company in Frederick Ashton's La Fille mal Gardée, conducted by Janos Sandor. (63 19 48).

Turin: Teatro Regio: Roland Petit's Puss in Boots danced by the Ballet National de Marseille to Tchaikovsky (orchestrated by John Lanchbery) with scenery by Josef Svoboda (548 000).

Parma: Teatro Regio: Antonio Salieri's Falstaff, conducted by Hubert Soudant and directed by Goran Jarvefelt. Domenico Trimarchi sings Falstaff and Cecilia Gasdia Alice. (79 56 78).

SPAIN

Barcelona, Aida features Maria Chiara, Fiorenza Cossotto, Lando Bartolini, Alberto Rinaldi, Ivo Vinco and Franco de Grandis. Gran Teatre del Liceu. La Rambla 65. (318 91 22).

NEW YORK

Metropolitan Opera (Opera House): The week features the first seasonal performance of Tannhäuser conducted by James Levine in Otto Schenk's production with Jessye Norman, Eva Randova, Richard Cassilly and Jan-Hendrick Rootering. It joins the repertoire of Rigoletto conducted by Thomas Fulton in John Dexter's production with Mariella Devia, Sherrill Milnes, Dano Raffanti and Dimitri Kavrakos; La Bohème conducted by Julius Rudel in Franco Zeffirelli's production with Leona Mitchell, Barbara Daniels and Brian Schexnayder; Die Fledermaus conducted by Jeffrey Tate with Kiri Te Kanawa, Tatiana Troyanos and Otto Schenk in Otto Schenk's production; and Madame Butterfly conducted by Gianfranco Masini in Renata Scotto's staging with Miss Scotto, Vasile Modoveanu and Lenus Carlson. Lincoln Center (362 6000).

International Festival (City Center): The Stratford Ontario production of The Mikado kicks off a season of international performers that will include the Lyon Opera Ballet and Ballet Rambert. 55th St. east of 7th Av. (246 8989).

WASHINGTON

Washington Opera (Terrace): Strauss's Wiener Blut starring Sheryl Woods in Zack Brown's 1980 production joins the company's Terrace Theatre season along with Don Pasquale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. The 1982 English-language production of The Abduction from the Seraglio returns conducted by Arnold Ostman with Joyce Guyer as Constanze, David Kuebler as Belmonte and Kenneth Cox as Osmin. Kennedy Center (254 9895).

CHICAGO

Lyric Opera: Ghena Dimitrova takes the title role in La Gioconda, conducted by Bruno Bartoletti in Filippo Crivelli's production with the Chicago City Ballet. Lotfi Mansouri's 1981 production of The Merry Widow continues with Maria Ewing in the title role, Alan Titus as Prince Danilo and Jerry Hadley as Camille de Rossillony, conducted by Baldo Podic. (332 2244).

TOKYO

Spiritual Energy, an avant-garde piece devised by internationally-known fashion designer, Kansai Yamamoto with music by Yas-kaz. Japanese traditional taiko drum by Eitetsu Hayashi. Dance by Sayoko Yamaguchi troupe. Parco Theatre, Shibuya. (Wed, Thur). (476 2030; 477 5858).

LONDON

Royal Opera House, Covent Garden: the postponed, long-awaited new production of Otello, with Placido Domingo returning to the title role, also has Katia Ricciarelli and Justino Diaz (as in the Zeffirelli film). Elijah Moshinsky produces, Carlos Kleiber conducts. Lucia di Lammermoor, a drab revival sloppily conducted by Michelangelo Veltri, serves as a vehicle for the attractive, vocally fluent (if not remarkably individual) heroine of June Anderson. (240 1066).

English National Opera, Coliseum: David Pountney's production of The Queen of Spades, widely excoriated when first seen a few years ago, returns with Alan Woodrow and Janice Cairns new to the leading roles, and Sarah Walker repeating her spellbinding countess. Further performances of the poor Pountney production of Carmen and of the Fledermaus revival brightened above all by Lillian Watson's Adele. (836 3161).

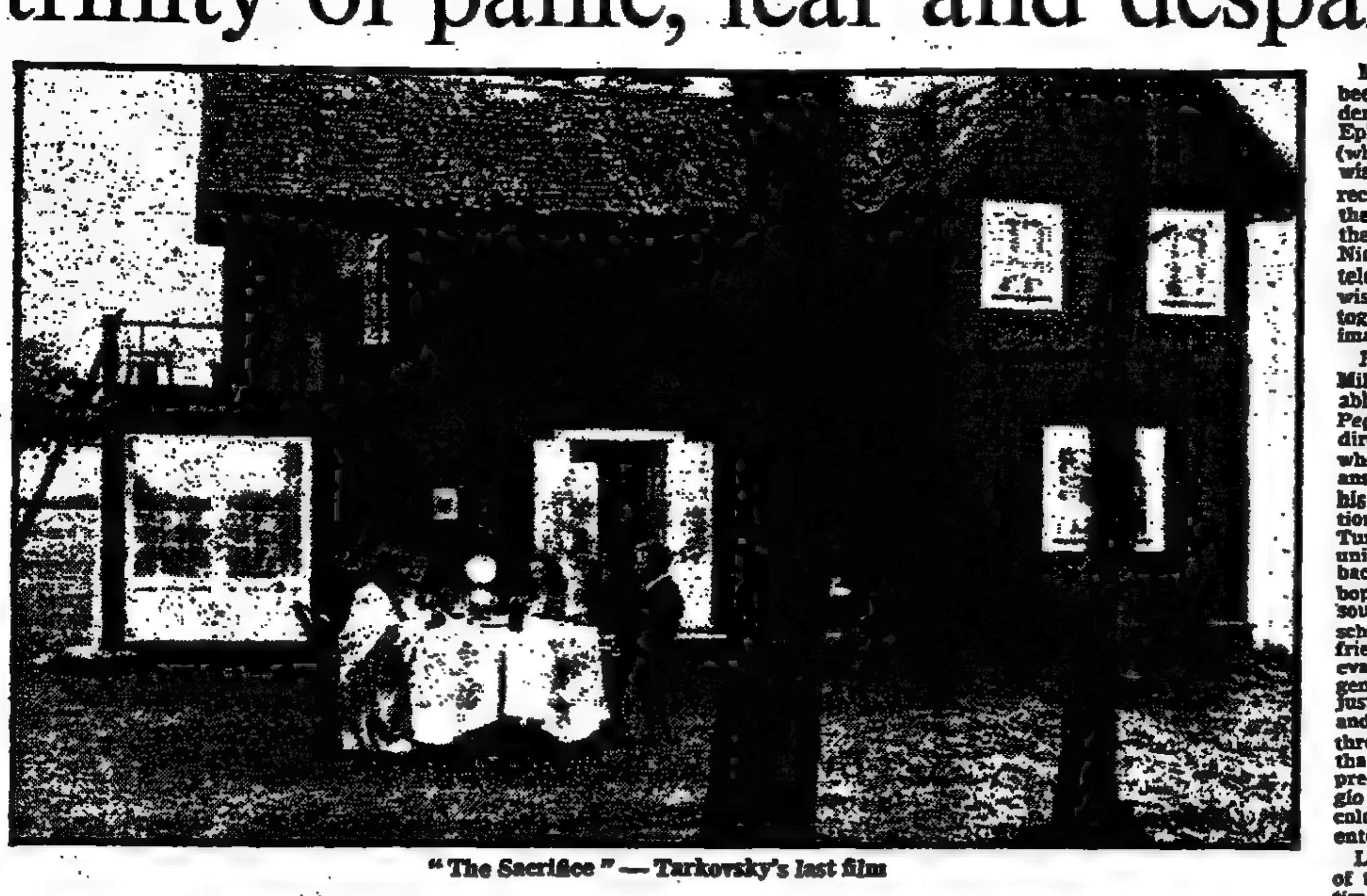
Continued on Page 17

THE ARTS

Cinema/Nigel Andrews

A trinity of panic, fear and despair

The Sacrifice, directed by Andrei Tarkovsky
Heartburn, directed by Mike Nichols
Peggy Sue Got Married, directed by Francis Coppolo
Twice In A Lifetime
Salome, directed by Claude d'Anna
The Berlin Affair, directed by Liliana Cavani



"The Sacrifice" — Tarkovsky's last film

Andrei Tarkovsky's *The Sacrifice*, the last film of the great Russian director who died last week, is a giant riddle about life and death set on a tiny Swedish island. The inhabitants of the dark wood-frame house in and around which the story unfolds might have fallen through time from a Strindberg play: a retired actor-critic (Erland Josephson) celebrating his birthday, his bitter, loveless wife (Susan Fleetwood), a suave, coldblooded doctor (her lover), a postman who's also an amateur historian, and a mute little boy, Josephson's son. But through them Tarkovsky blows his unique blasts of spiritual crisis and challenge, as the threat of nuclear war issues one night from the ghostly-blue flicker of the television. Over the film's hypnotic 2½ hours the trinity of panic, fear and despair finds a different manifestation and works different changes, in each character.

As earlier movies have shown —*Mirror, Stalker, Nostalgia*— Tarkovsky's genius is for revealing inner states in outer signs and scenes. *The Sacrifice* is a story of birth and rebirth. The hero's "birthday" is both an anniversary and a new beginning. In the wonderful and simple opening scene—one of several virtuoso 10-minute takes in the film—Josephson plants a celebration tree on the shoreline with his son, then walks back to the house idly, wryly philosophising with the postman, who rides slow, awkward circles on his bicycle as he talks. A single shot thus choreographs everything we need to know at outset about three major characters: Josephson's dogged, whimsical optimism, flowering in bizarre gestures in a barren landscape; his son's rapt discipleship (he is literally "speechless" after a throat operation); and the postman's buffoonish balancing act, as if the world's bringers of messages (whether postmen or film-makers) were permanently *poised between precarious virtuosity and falling flat on their faces.*

This opening scene like the film's equally mesmerising climax—another 10-minute take in which Josephson runs to and fro before the blazing house he has set on fire, while his family and two white-coated men try to bundle him into an ambulance—is shot in full colour and also demonstrates Tarkovsky's unsung flair for absudist comedy. Between these poles, the movie dips into *two hours of nightmare* and near-monochrome. In palest blues or browns or silvers, Tarkovsky moves the characters *around* their darkling doll's house as if they were ghosts in torment. The early social dance of triviality and small talk mutates, as if by slow necromancy, into recrimination and the reopening of old wounds.

Meanwhile, objects in the house take on a typically Tarkovskian talismanic power. A glass-fronted print of Leonardo's Adoration of the Magi hangs on the wall, menacingly animated by the reflection of a tree. Glasses rattle and a bowl of milk shatters on the floor as a fighter plane roars overhead. A tiny, perfect model of the house (built by the boy) sits by a pool of water in the grounds.

Not until the movie's midpoint are we vouchsafed the meaning of its title. In a despairing cry to God, as the world's end looms, Josephson vows to give up his family and his possessions and destroy his house in return for the removal of his fear. But to facilitate *this "sacrifice,"* the film's oddest sequence unfolds: the hero's visit to the house of his young servant Maria. He has been told *she is a witch* and that he must "lie with her." When he does so, the film instead of giving us literalised passion shifts into *startling* surrealism. The bed rises into the air, slowly turning, and the mystic swirl of sheeted bodies suspended in stillness recalls Kokoschka's famous picture of "The Lovers."

Tarkovsky's aim is once again to suggest a birth rather than a passion; or a new birth *out* of the destructive power of passion. And "suggest" is the operative word. Much grinding on by the film-maker in the press notes about the evils of our age of materialism and instant gratification do not, thank goodness, infect the film. It never tub-thumps or, worse, Bible-thumps. Its hero — redeemer and redeemed—is no Christ figure but an ordinary member of the race of walking wounded we call Mankind. He is no more saintly and no less ruled by panic or fear than the rest of us. The reason panics brings *him* enlightenment is that his soul's surface is still childlike enough to respond to the light (unlike, the *director implies, the other* adult characters). Once again Tarkovsky presents the Earth as a strange, unearthly planet: a world where the *dark side* and the light are in constant struggle, in a "star war" whose philosophical and spiritual *depths* are undreamt of by George Lucas and company. In a year only nine days old, *The Sacrifice* already looks set to be the most important movie of 1987.

After this, back to Hollywood. Whatever earthly purgatory the hero of Tarkovsky's film was carried off to in his white van, at least he was not going to Press shows of *Heartburn*, *Peggy Sue Got Married* and *Twice In A Lifetime*. Month by month, American cinema steps deeper into its crisis of triviality. Goodness or badness are not at issue here. All these films are "well made," "well acted" and even (fairly) "well written." The question is whether they were worth making, acting or writing at all.

Heartburn is a long, sudsy tale of marriage and estrangement, scripted by Nora Ephron from her bestselling novel of the same title. That was a thinly fictionalised account of her life with, and without, news-reporter husband Carl Bernstein. Yes, that Carl Bernstein, (the Watergate one). Meryl Streep and Jack Nicholson are our stars, going through the old-age problems of love 'n' marriage as they get knotted, find they do not want to be knotted after all and try—after a few brave bids at reconciliation—to get unknotted. Finally our heroine just cuts the damn knot and flies off by TWA with her two tiny children.

Meanwhile the audience has been going quietly insane, wondering why the wit and fizz of Ephron's minor but lively novel (which came complete with wisecracks and cooking recipes) has not transferred to the screen. Also why two super-thespians like Streep and Nicholson, who could act the telephone directory if they wished, have chosen to star together in the cinema's closest imaginable equivalent.

Heartburn is directed by Mike Nichols, the once reckonable director of *The Graduate*. *Peggy Sue Got Married* is directd by Francis Coppola, who used to be Hollywood's answer to God. Perhaps this is his form of seventh-day relaxation. Pugnosed sexpot Kathleen Turner collapses at a school reunion dance and is time-whisked back to her teenhood. A mid boppy colours and rock-rinsed soundtrack, she relives her schooldays, re-courts her boyfriend (Nicolas Cage), re-evaluates her parents and generally behaves as if she has just seen *Back To The Future*, and is anxious to drag audiences through a distaff reprise. Given that the film is loud, charmless, predictable and shot with Dayglo emotions as well as Dayglo colours, think twice before entering the time machine.

Last and by all means least of the trio is *Twice In A Lifetime*. I have been presented with this twice in my lifetime, on both occasions as an in-flight movie. A cruel destiny plucked me into the skies to watch Gene Hackman and Ellen Burstyn wrangling over their marriage, and then Gene going off to have a remarkably maudlin affair (even by Hollywood standards) with Ann-Margret. Halfway through the second viewing I handed in my headset.

It *fair* makes you sit up and enjoy *Salome* and *The Berlin Affair*. The first is a solemnly wacky international version of O. Wilde's play, directed by Claude d'Anna, complete with overdressed sets and underdressed actors and actresses. The second is Liliana Cavani's potty melodrama of lesbian love between a diplomat's wife (Gudrun Landgrebe) and a Japanese ambassador's daughter on the eve of the Second World War. Told in flashback by Miss Landgrebe to her professor — "*It all began when I stopped going to your literature classes. . . .*" — it grows, via adultery, poison and suicide attempts, from mild eccentricity to uncompromising lunacy.

Coming in to Land/Lyttelton

Martin Hoyle

Among the playwright Stephen Poliakoff's most successful scripts was the TV film *Caught on a Train*, in which an enigmatic *mittelcuropäisch* lady, part aggressor, part victim, wore down English reticence to the point of hysterical exasperation and *guilt*.

At the National Theatre's Lyttelton auditorium the newest Poliakoff play has been given its premiere. It deals with an enigmatic *mitteleuropäisch* lady, part aggressor, *part victim, who wears down* English reticence to the point of hysterical exasperation and guilt.

Both works benefited from the contribution of performances from great actresses. On TV it was Peggy Ashcroft, at the National it is Maggie Smith. In both cases a flimsy anecdote is shakily cobbled together with loose nuts and bolts in the narrative; in both a sub-Pinteresque air of indefinable menace plays a certain part. Neither, one suspects, is sufficiently memorable to have been produced without the stellar presence.

The new play reflects the author's delight in twists and surprises. Unfortunately the bluffs and double-bluffs as the Polish Halina *tries to* get permission to stay in England never ignite into drama. Twists are thrown in for their own *sake, not because they spring* from the baffling, inconsistent and under-characterised figures on stage. Add the colourless *effect of the writer's typical* neat articulate and utterly undifferentiated dialogue, whichever character is speaking, and *the end result is bland;* lacking tension and urgency.

The first puzzle is why trendy young solicitor Neville would join a conspiracy by marrying the Polish defector so that she can stay in London. Introduced by a mutual do-gooding friend of cardboard, the couple seem to have no relationship whatever until the climactic verbal battle when Halina is on the point of deportation. Meanwhile Neville has, equally inexplicably, betrayed her to the immigration authorities, revealing the falsity of her claims of persecution in Poland. Throughout, Anthony Andrews seems uncertain whether to play for light comedy or blank non-committal enigma; and ends by screaming out the emotional climaxes in a way that may require a touch of Teflon to the tonsils by the end of the run.

On the way, a scene of mixed absurdity and menace erupts when the immigration officials turn their probing to the outraged Neville. Tim Pigott-Smith (seemingly now an eternal nasty) and Michael Carter are not too distant descendants of *similar threatening double-acts* in Pinter. The scene is incongruous, and leaves us bewildered as to the point of this "carefully structured and malevolent scheme leading to my humiliation at the hands of the immigration officer," as Neville cries in a good example of the raw, earthy and spontaneous dialogue that Poliakoff characters enjoy.

Maggie Smith plays, apparently, a "tiny pimple of history." She enters laden with plastic carriers like a vagrant bag-lady and blossoms into sleekly scarlet-suited fantasist with matching rakish hat. She deals expertly with such comedy (screwball or whimsical) as there is, and, much more interestingly, gives signs of ravaged and stricken bitterness when betrayed. The part hardly stretches her, but she fills it to the manner born. *Alison Chitty's* cool sets can suggest the depersonalised chic of Neville's flat and the dehumanised seediness of unbend*ing officialdom. Peter Hall* directs.

Alastair Muir

Maggie Smith

Robert Holl/Wigmore Hall

Andrew Clements

There are any number of ways of providing coherence to a recital of Schubert songs but hanging it upon the peg of the *bicentenary of the birth of* Johann Mayrhofer is not, I would humbly suggest, one of the most convincing of them. Mayrhofer was born in 1787, encountered Schubert in the composer's 17th year, and swiftly became a close friend; his poetry was to furnish the text for many of Schubert's songs from 1814 onwards.

It is not very good verse; it is rather too reliant upon the stock natural-world imagery of early romanticism, and did not seem to draw from Schubert his most vivid invention. For his Wigmore Hall recital on Wednesday the very fine Dutch bass-baritone Robert Holl selected 15 Mayrhofer settings, ending with the extended cantata-like *Einsamkeit*, D620 and the concentration upon this one aspect of Schubert's *Lied* output made for a rather austere, self-consciously worthy occasion.

Holl possesses a splendidly full, rounded tone; he phrases immaculately, his diction is impeccable. He is also, to my mind, slightly-lacking in stage personality; in songs whose texts are as thin as these more focussed characterisation is needed. Purling off effortless stanzas as in "Beim Winde" and the rather better "Memnon" is only half the performance; one longs for a sense of involvement to emerge, for one song to be approached in a different way from its neighbours.

Much of the colour was left to Andras Schiff's fresh-minted accompaniments: sometimes they were over-reticent, but in brief postludes, and especially the solo interludes in *Einsamkeit*, became vivid and pungent. On that larger canvas too, Holl finally emerged in three dimensions; upon his magnificently complete technical assets he constructed a performance of sustained power that at last brought Mayrhofer into a more flattering spotlight.

the CIVIL warS/Brooklyn Academy of Music

Frank Lipsius

Even for jaded New Yorkers, a Robert Wilson production is always an event, to which the long queue in the lobby of the Brooklyn Academy of Music *attested right up to* curtain time. *The CIVIL warS* is a source of particular anticipation and expectation, having been conceived *as a monumen*tal 12-hour spectacle for the 1984 Los Angles Olympics. Assembled in different parts of Europe, where Texas-born Wilson now works with subsidies he could not get in America, the five-part production never got to California; but its pieces exist in warehouses throughout Europe ready for assembly as needed, and nowhere better than as the final presentation of the season's Next Wave Festival. The drama committee of the Pulitzer Prizes wanted to give Wilson its award this year, only to be vetoed by the main board on the grounds that it had not been properly seen.

BAM is putting on Act V, a two-and-a-half hour climactic vision of the world past and future. Viewed from primordial forests to outer-space capsules, its main characters range from Garibaldi to Mrs Lincoln. A 15-*foot* Abe Lincoln ambles across to the middle of the stage, goes horizontal and is levitated away, echoing the work's subtitle, "a tree is best measured when it is down." Hercules, dressed in a skimpy animal skin, saunters through the piece *like a cave man, while minor* characters include Garibaldi's army and Hopi Indians doing a war dance.

These are familiar disjointed elements in a Wilson production, which mix history's big names *(Einstein on the Beach, The Life and Times of Sigmund Freud)* with repetitious music and movements performed by seemingly interchangeable actors. (Wilson chased down and convinced a New York wood grainer to be his Dr Freud after seeing a resemblance when the man walked past him in Grand Central Station). But Wilson's reputation was made from the outset, when the Surrealists adopted him as their successor after Louis Aragon saw *Deafman Glance in 1971* and called Wilson, "the future that we predicted."

Wilson has compared *the CIVIL warS* to a rock concert as a work meant to attract a large audience. He has succeeded in making a much more accessible and enjoyable assemblage of the continuing disparate elements.

The key to the success of this section is its energetic pace with vigorous, unrepetitive music by Philip Glass, who last collaborated with Wilson on *Einstein on the Beach* in 1977. Instead of jerky mechanical movements set to minimalist music, the score was lyrical melodies with frequent crescendi being the final section of the work. The melodies and choreography for Hopi Indians by Ulysses Dove are vigorous and energetic, with soldiers acting like soldiers and Indians like Indians, rather than people acting like machines.

The scenic design by Wilson and Tomm Kamm replaces Wilson's usual eeriness with bright colours and visions that might have come out of *Star Wars* or the primeval forest as depicted in Disney World. *Existing Wilson fans, it must* be said are disappointed by the popular imagery and music, but these very elements bring Wilson down to a recognisable earth for those who have previously found him pretentious and unedifying.

Malcolm McDowell at the Old Vic

Malcolm McDowell and Mary Steenburgen head the cast of Philip Barry's comedy *Holiday* which opens at the Old Vic on January 20, directed by Lindsay Anderson. Other members of the cast include Cheri Lunghi, Frank Grimes and Geoffrey Burridge.

Die tote Stadt/Dusseldorf

Andrew Clark

It is easy to knock *Die tote Stadt*. Its composer, Erich Wolfgang Korngold, had enough precocious talent to craft an opera which would satisfy the passing fashion of the 1920s, and the misfortune to base his reputation thereafter on Hollywood film scores. It is this superficial plausibility, rubbing against the judgment of history, that fuels a certain fascination with the work today.

Four years ago in Berlin, Götz Friedrich was responsible for a staging that won a mixed reception but was *good enough* to tour to Vienna and California. Now comes a highly stimulating production from the *Deutsche Operam Rhein*, and this makes as strong a case for Korngold's concoction of Italianate tunefulness, late-Romantic orchestration and Freudian pretension as the opera is ever likely to get.

The stage director Gunter Kramer—one of the West German theatre's most promising converts to opera—his deliberately matched the kitsch of the music in his treatment of the more bizarre fantasies at the heart of the action, and there is more than a touch of thriller film technique in his tracing of the psychological battle between the two women for whom the hero Paul has a fixation—his dead wife Marie and her very-much-alive look-alike Marietta.

The Czech conductor, Bohumil Gregor, now happily restored to health, unfolds the score with the kind of passionate commit*ment that prompts niggling* second thoughts about some of the music.

The two pivotal roles of Marie/Marietta and Paul were sung by Agnes Habereder and Richard Versalle. Miss *Habereder, dressed as a Marilyn* Monroe sex-pot, has the looks and energy for the part, and used the highly-strung character of her voice to striking effect: a future Lulu here. Versalle, Bayreuth's current Tannhäuser, also looked the part. He has a good technique and is a vocal stylist, but could not hide some strain at the top. The opening performance in Düsseldorf was rapturously received, suggesting that in Germany, at least, the Dead City may have some life in it yet.

Eric Clapton/Albert Hall

"Eric Clapton," the Sixties graffiti is said to have read, "Is God." As a description of the incandescent skills of the young guitarist with The Yardbirds and Jon Mayall's Bluesbreakers, this was perhaps a little excessive. But he got his comeuppance in the punk years prompted by his foolish remarks about immigration, with his dismissal as a rock and roll dinosaur.

Twenty years on since the Yardbirds, with a roller-coaster career, well-publicised romances and a drugs and booze problem *behind him*, the resurrected Eric Clapton is in town. At last we have a chance to reassess the superlatives he attracted *before the autumn of* punk and the summer of love.

Eric Clapton, the man, is somewhat laconic. But as a musician he is lugubrious. His stance is relaxed, almost diffident, while his guitar invokes passion and rails against injustice. In his dark designer suit he recalls a self-effacing ventriloquist who lets his dummy do the talking.

Joining Clapton on stage for the London gigs was Dire Strait's Mark Knopfler, whose own guitar *skills have* attracted more recent plaudits. They opened with a respectful version of Elmore James's "Down to the Crossroads", acknowledging, right from the outset, Clapton's debt to the blues tradition.

The quasi-reggae of "I Shot the Sheriff" was embellished by Clapton with baroque flourishes *of extraordinary dexterity*, but never at the expense of the rhythm — solidly supported by drummer Steve Ferrone — nor *in the interests of self-promotion.* It was in the slower numbers like "White Room" and "You Look Wonderful Tonight" that Clapton's other *instrument* demanded attention: his voice, a bluesy resonance with a powerful emotional range.

"Same Old Blues" was an *opportunity* for the band to show off their considerable skills. The exuberant bassist Nathan East gave us a bubbling skat solo while keyboard player Greg Phillinganes suggested that he might be more *at home playing* jazz funk than blues.

The first number to really bring the audience to their feet was "Cocaine," *languidly* recorded by J. J. Cale and here given a memorable evangelism by a cleaned-up Clapton.

"Layla," Clapton's masterpiece, written in the early '70s about his unrequited love for George Harrison's then-wife Patti, was given a polished uptempo reworking. But the pace was so fast that it seemed Clapton was trying to put his past behind him as quickly as possible. What it gained in slickness it lost in power.

The show was closed with "Sunshine of Your Love," a relic of Clapton's late 1960s sojourn with Cream. Surprisingly, the hypnotic number of hippy vintage was given a new intensity. Clearly Clapton is neither deity nor dinosaur, and he is more than a mere rock and roll survivor. A born-again guitar hero just about covers it.

Annalena McAfee

Arts Week

Continued from Page 16

Music

LONDON

Philharmonia Orchestra conducted by *Francesco d'Avalos with Fou Ts'ong*, piano. Mozart and Bruckner. Barbican Hall (Mon). (638 8891).

Endymion Ensemble conducted by *John Whitfield. Stravinsky*. Queen Elizabeth Hall (Tue). (928 3191)

Feinstein Quartet: Prokofiev, Edward Shipley, Martinu and Claude Bolling. Purcell Room (Tue). (928 3191).

English Chamber Orchestra conducted by Martin Andre with Steven De Groote, piano. Mozart and Beethoven. Barbican Hall (Wed).

Marius May, cello, and Imogen Cooper, piano: Beethoven, Schumann, Janacek and Mendelssohn. Queen Elizabeth Hall (Thur).

Academy of London conducted by Richard Stamp with Joseph Silverstein, violin and Mark Braunstein, viola. Mozart and Elgar. Barbican Hall (Thur).

PARIS

Michel Beroff, piano, Hu Kun, violin: Tartini, Beethoven, Wieniawski, Debussy (Mon 8.30pm). Théâtre Mogador (4233 4444).

Groupe Vocal de France: Levinas, Tosi, Sahbai (Tue 8.30 pm. Auditorium des Halles (4563 8873).

Ensemble Orchestral de Paris conducted by Antonello Allemandi, Aldo Ciccolini, piano: Britten, Stravinsky, Mozart (Tue). Salle Pleyel (4561 0630).

Orchestre de Paris conducted by Daniel Barenboim, Pinchas Zukerman, violin: Dutilleux, Beethoven (Wed, Thur). Salle Pleyel (4561 0630).

Nouvel Orchestre Philharmonique conducted by Marek Janowski: Olivier Messiaen, Gyorgy Ligeti (Thur). Saint-Louis-Des-Invalides church (4230 1516).

Daniel Barenboim conducting the Orchestre de Paris in the Salle Pleyel, Paris this week

BRUSSELS

Palais des Beaux Arts: *Sinfonia Varsovia*, directed by Yehudi Menuhin, violin: Bach, Schubert, Bacewicz, Mozart (Royal Command Performance). (Wed); Belgian National Orchestra conducted by Uri Segal with Salvatore Accardo, violin – Lutoslawski, Paganini, Beethoven (Thur). (512 50 45).

ITALY

Rome: Auditorium in via Della Conciliazione: Gustav Kuhn conducting Liszt, Webern and Strauss (Mon and Tue). (654 1044).

Rome: Chiesa di S. Agnese in Agone (Piazza Navona): Gonfalone Chamber Orchestra: Telemann (Thur). (68 75 852).

NEW YORK

Carnegie Hall: Opera Orchestra of New York. Eve Queler conducting: Aprile Millo, soprano; Mario Malagnini, tenor; Matteo Manuguerra, baritone; Jerome Hines, bass. Verdi (Mon); *Philadelphia Orchestra*. Riccardo Muti conducting, Frederica von Stade mezzosoprano. Rouse, Mozart, Beethoven (Tue). (247 7800).

Kaufmann Hall: *Chamber Music at* the Y. Guest artists include Neil Balm trumpet, David Taylor trombone. Mozart, Kodaly, Kirchner (Tue, Wed). (1395 Lexington Av. (831 8603).

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting. Strauss, Debussy, Schumann (Tue); Erich Leinsdorf, conducting; Stanley Drucker, clarinet; Judith Leclair, bassoon. Mozart, Strauss, Beethoven (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting, Andre Watts piano. Berlioz, Sibelius, Brahms (Tue); Mstislav Rostropovich conducting, Uto Ughi violin with the Oratorio Society of Washington directed by Robert Shafer. Haydn, Dvořák, Prokofiev (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestral Hall): Yoel Levi conducting, Haydn, Roy Harris, Prokofiev (Tue); Sir Georg Solti conducting, Itzhak Perlman violin. Mozart, Dvořák, Strauss, Ravel. (Thur). (435 8111).

TOKYO

New Japan Symphony Orchestra conducted by Kazuo Yamada with Shigenori Kudo, flute; and Naoko Yoshino, harp. Mozart, Mahler. Tokyo Metropolitan Arts Festival. Tokyo Bunka Kaikan. (Mon). (437 6837).

Joshua Bell, violin. Mozart, Franck, Bach, Brahms, Paganini. Showa Women's College, Hitomi Memorial Hall, Sangenjaya (Wed). (293 1951; 237 9990).

Mirjana Irosch, soprano and Harald Serafin, tenor, recital of Viennese *music accompanied by members of* Wiener Opernball Orchestra. Tokyo Bunka Kaikan (Wed). (545 8348/9348).

Japan Philharmonic Symphony Orchestra, conducted by Naoto Otomo with Kazuhiko Yamashita, guitar. Dvořák, Roderigo, John Williams. U-Port Kani Hoken Hall, Gotanda. (Thurs). (237 9990). Sponsored by Nikka Whiskey.

Takashi Shimizu, violin. Webern, Schoenberg, Zemlinsky, Berg. Aoyama Theatre, near Shibuya. (Thurs) (237 9990).

Theatre

WASHINGTON

Les Miserables (Opera House): The American tour that will end up on Broadway early in the new year begins in Washington as a celebration of the British musical's leap beyond its American forebears. Ends Feb 14. (254 3770).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. *Hal Prince's alert, affectionate* production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

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AIDS, sex and choice

OFFICIAL leaflets about AIDS will start arriving at each of Britain's 23m households on Monday. Radio and television advertisements, as well as posters, have already begun to appear.

This is an unusual step for any government to take and the decision to intrude so far into private lives cannot have been made lightly. Its justification must be that the danger of public ignorance about AIDS is greater than the possible offence and alarm caused by drawing attention to it. The Government's campaign should be seen as a health warning rather than a moral crusade.

It is also very much a shot in the dark: nobody knows what the public reaction will be. Nobody knows either how the disease will develop in the next few years. The main facts are simply that it is spreading, that it is fatal and that there is as yet no known cure.

Principal sufferers

AIDS stands for acquired immune deficiency syndrome. All proven cases have been caused by the transmission of either semen or blood from one person to another. There are two ways in which the immune deficiency is acquired: through sexual intercourse and through getting infected blood into the bloodstream. The principal sufferers in the UK so far are male homosexuals and bisexuals, haemophiliacs and intravenous drug-abusers.

The numbers are not all that large, but rising. The medical advice that the Government has accepted suggests that there are at present between 30,000 and 40,000 carriers in the UK, though since the average period between catching the infection and becoming ill is about five years, the figures must be uncertain. A more dramatic way of putting it is that between 20 and 50 new people in the UK are being infected every day. The number of deaths since the first case was detected in the UK at the end of 1981 had reached 296 by last November.

The haemophiliacs — people who bleed easily and need blood transfusions—can be better protected by closer testing of blood donors: more donors could be encouraged to come forward, if there is a blood shortage. The intravenous drug-abusers can be shielded by the supply of clean needles. It is the sexual cases which are the main problem and easily the largest category.

Here a further word of warning is in order. Although the evidence from the UK so far suggests that the disease is overwhelmingly concentrated among male homosexuals and bisexuals, the evidence from elsewhere—in particular from parts of Africa where the disease is rife—suggests that in time it spreads to women. It is not just the male homosexual community that is in danger.

Public awareness

The aim of the campaign is to increase public awareness: no more, no less. It should not be a one-off exercise. Having embarked on the campaign, the Government is under some obligation to keep the public informed about how the disease is progressing and the search for a cure. That could be done through the reconstituted Health Education Council, which probably deserves a wider role in any case.

Beyond that, however, it is no business of government to seek to direct people's sexual behaviour, except where it is outside the law.

Over the past three decades or so, there has been an apparent growth in sexual permissiveness and of tolerance of sexual behaviour that used to be regarded as aberrant, if not wrong. It has come about for two main reasons. The advent of the pill, coinciding with and probably related to the advance of the women's movement, has made it easier for women to have sexual relations without risk of pregnancy. It has increased equality between the sexes. There have also been changes in legislation: for example, the legalisation of homosexual relations between consenting adults and the more relaxed approach to abortion.

None of those changes has been foisted on the public. It has always been left to the individual to decide on his or her personal behaviour, provided it is within the law. That is how it should remain. The Government is issuing a health warning. It is not telling people how to conduct their private lives; nor should it.

Bank supervisors move in step

THE CASE for greater international co-ordination of banking regulation was eloquently set out in the middle of last year in a report by a group of central bankers under Mr Sam Cross of the New York Federal Reserve. More intense competition in the international financial system has caused financial innovation to accelerate and risks to multiply; and since most international banks remain undercapitalised in the light of the deterioration in the quality of their loan books, much of that risk is reflected in financial instruments which do not appear on the face of the balance sheet.

Few expected the Cross report to be followed by rapid multilateral action on capital adequacy requirements for banks in spite of the groundwork carried out by the Cooke Committee of the Bank for International Settlements in Basle. So the decision by the Federal Reserve and the Bank of England last autumn to pursue a bilateral agreement on common capital requirements and common ways of measuring risk constitutes a welcome recognition of the urgency of the problem.

Credit risk

The proposed system involves the publication of a minimum ratio of primary capital to bank assets; the assets will be weighted according to risk in the same way that is now applied in the British banking system and all off-balance sheet items will be included. But the supervisory authorities on both sides of the Atlantic will set higher minimum ratios for individual banks to reflect their strengths and weaknesses.

Initially the system is concerned primarily with credit risk. In due course, however, the authorities are proposing to extend it to interest rate and foreign exchange transactions. And a number of divergent loose ends remain to be tied up, including differences in the two countries' approach to bank holdings of other banks' capital.

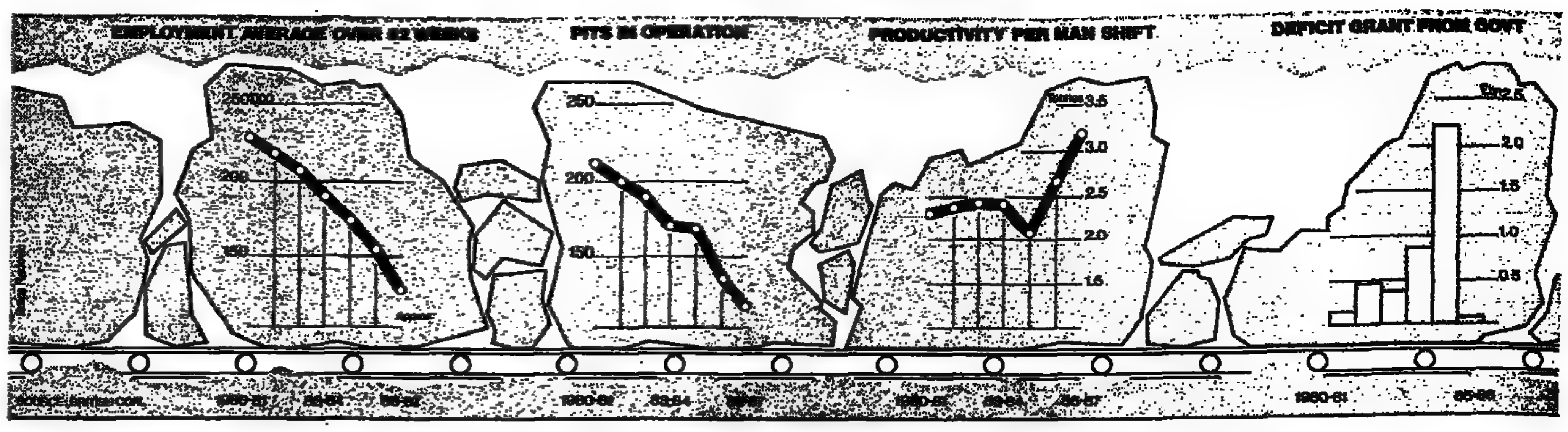
The package of rules none the less amounts to an ambitious overall design. For while the detailed proposals involve some minor relaxations of existing bank regulations on capital adequacy, the two sides have, on the whole, resisted the temptation to adopt the lowest common denominator. It is also ambitious in the rather different sense that a bilateral approach to harmonisation is bound to give rise to reservations among the banks. It is, after all, the Japanese, not the Americans and the British, who stand accused of "dumping" financial products in order to win market share in international banking. An even playing field between Britain and the US means, potentially, an uneven playing field for other players in the system.

Securities markets

Nor are any of the banks likely to emerge with enhanced capital under the new rules. As an official of the Federal Reserve put it in London yesterday, some will emerge from it undercapitalised, some less undercapitalised. And one of the more endearing features of the outline of the proposals published yesterday is that it seeks to preserve the fiction that banks are more creditworthy than their larger clients. While acknowledging that "short term claims on some commercial borrowers may involve less risk than similar claims on some banks," the authorities conclude that in view of their own supervisory zeal and the high quality of short term inter-bank claims, bank paper must command a higher rating.

Bank supervisors could hardly be expected to do other than claim that the tendency for more and more financial intermediation to take place outside the banking system will prove temporary. But the question remains whether the impact even of multilateral supervision will not be to drive business out of the banking system into the securities markets. The long term aspiration must be to extend the harmonisation process not merely to other major banking countries such as Japan, West Germany and Switzerland, but to the securities markets too. This the US and UK authorities now acknowledge; and the main securities watchdogs on both sides of the Atlantic have been approached on the question of capital adequacy. But it will be a very long road.

BRITAIN'S COAL INDUSTRY



After the anguish, success has a price

By Charles Leadbeater

TWO YEARS AGO miners celebrated New Year during the struggle to defend coal industry past. In 1986 they celebrated on the verge of coal industry future.

Since the strike ended in March 1985, 39 pits have closed, by March this year more than 60,000 miners will have left the industry. The ones that remain—those who mounted picket lines and those who crossed them — are breaking productivity records by the month.

Labour productivity is up by 23 per cent on its level in November 1985, when work got back to normal, and is 46 per cent higher than it was in 1981.

But can it be that men who fought with passion to prevent their industry becoming their employers' are now not only acquiescent but also enthusiastic and co-operative?

"This period is a watershed, we are laying to rest the past and shaping the future," says Mr Albert Wheeler, young area director of the Nottinghamshire coalfield. His counterpart in North Yorkshire, Mr Albert Tuke, put is more bluntly: "We have 12 months to get it right."

Getting it right will mean two things. The relatively easy part will be the continuation of an investment programme which started before the strike. The second element will be much more difficult: to refashion working practices around new technology.

The main motor of change will be an investment programme of between £650m and £700m a year for the next few years.

This will finance coal preparation plants and advanced transport systems to cut travelling times in the miles of tunnels. Above all, it will hasten the installation of high technology, heavy duty coal cutters.

Only about a quarter of the industry's 325 faces have heavy-duty machinery. Mr John Northard, British Coal's director of operations, wants to apply these enormous cutting drums to all faces within the next five years.

Mr Northard estimates that over half the rise in labour productivity since November 1985 has been due to more intensive working of coal faces equipped with heavy duty machinery, while less than a fifth is due to the closure of uneconomic capacity.

The transformation that can come is exemplified by Harworth colliery in Nottinghamshire, which seven years ago was on the verge of closure. With several heavy duty faces, it is now one of the lowest cost collieries, producing 1.2m tonnes of coal a year at a cost of £1.07 per gigajoule.

But technology alone will not ensure success. With a large investment programme, the focus for colliery managers will be to raise capital productivity to ensure the machinery installed is used as intensively as possible.

"We have a turnover of about £5bn produced by assets worth about £5bn. That rate of return is not good enough," says Sir Robert Haslam, chairman of British Coal.

> 'Burying the past to shape the future'

So, miners face a big change. In the past year they have been encouraged to work in the same way but harder; in the coming two years they will be asked to change radically the way they work to make the most of the technology.

Sir Robert's planned changes include keeping pits open for six rather than five days a week and moving miners on to a four-day week, but working longer shifts. It is estimated that these measures, combined with 24-hour production, will increase by a third the amount of time available for face work.

Sir Robert stresses the necessity of these changes in mines the board wishes to develop, like Margam, a long-delayed project which could provide the largest pit complex in South Wales. The investment there would be £85m to exploit 20m tonnes of high quality coking coal.

There will also be a marked effect on older pits, like those in the north east, where miners can spend more than two hours of each shift travelling from the shaft bottom to the face.

British coal face teams have traditionally worked their way into a block of coal. The changes will include working more faces through retreat mining, where tunnels are pre-driven into an area of coal and face teams work their way out.

The attraction is that this method requires fewer men. At Sharlston colliery in Yorkshire output has risen under retreat mining from 819,000 tonnes in 1980/81 to more than 1m tonnes last year, while the workforce has fallen from 1,347 to 1,059.

Alongside these changes, the number of faces worked will continue to decline — independently of the pit closure programme — to ensure resources are concentrated on the most productive seams. Since the strike the number of pits has fallen by about a quarter, but the number of faces has fallen by 40 per cent.

Mr Wheeler, the Nottinghamshire director, argues that the industry will have to follow in the footsteps of manufacturing companies which are attempting to create a new breed of multi-skilled, flexible shopfloor workers, who take greater responsibility for ensuring quality and safety.

Jobs traditionally done by skilled craftsmen, maintenance workers and safety officials could be transferred to properly trained operators and chargehands.

As yet it is unclear how the National Union of Mineworkers and the Union of Democratic Mineworkers (the breakaway union formed during the strike) will react to requests for change. However, they would be certain to oppose a further proposal of Mr Wheeler's. He suggests costs could be reduced — and manpower focused on coal production — through contracting out a range of services. He calculates that doing this with surface operations — such as traffic control, maintenance, bricklaying, baths and lamp-room supervision — could reduce surface manpower by a quarter.

British Coal plans to win support for these changes by using two tools.

First, performance related incentives will be expanded. National wage negotiations are likely to contain large production bonuses, but this year the Union of Democratic Mineworkers has also been offered a special attendance bonus and a no strike bonus.

Managers will also be encouraged to introduce bonuses more tightly tailored to the work of production teams, rather than the productivity of the whole pit.

Secondly, British Coal will continue its drive to improve communication with the workforce through newsletters, television messages in the pit and more informal methods.

Will this be enough to bring about the necessary changes? Incentive payments are not a panacea. Below ground at Harworth, miners in a lather of sweat and coal dust say their Saturdays are not for sale.

Moreover the spread of bonus payments has aggravated problems as well as solved them. Colliery managers admit they often have to even out bonuses over a period of weeks to ensure earnings do not fluctuate wildly. With a broader range of bonuses, variability would increase, as would earnings differentials between groups of miners, increasing local tension.

Managers like Mr Tuke, in North Yorkshire, bristle at the suggestion that British Coal needs to introduce new-fangled industrial relations concepts such as employee involvement and quality circles. "Team working may be new in car plants, but we have always worked in teams in this industry. It may be noteworthy when Japanese managers wear overalls, but colliery managers have always done that.

"And we have the only statutory system of joint union-management consultation in the country. We are not behind the rest of industry, we are ahead," he says.

The deeper lesson of the strike—that the industry and its workforce must pay its way—has sunk in, he believes.

> The number of small stoppages is still high

However, some nagging questions remain. The redundancy programme has left the industry with a leaner, fitter and younger workforce, and one fear is that this could lead to more radicalism among local union leaders.

Though British Coal hopes most of the changes will come through local negotiations, this is precisely where the production unions are strongest.

There is little likelihood of a major national dispute in the near future, but the number of small stoppages is still high. In the first six months of last year, coal accounted for almost 30 per cent of the 451 stoppages notified to the Department of Employment.

At national level NUM is at a watershed. Since the strike, the power of Mr Arthur Scargill, its militant leader, has been checked by a more assertive national executive. This has created a political stalemate within the union and the NUM seems to lack a strategic view of the changes British Coal envisages.

But over the next 18 months, a new leadership group of left-leaning local officials could emerge to offer an alternative to confrontation or passivity.

Also, the division between the NUM and the UDM will continue to cause difficulties.

Perhaps the most serious problem will come with the deputies union, Nacods. Its leaders fear that British Coal wants to squeeze their members by transferring their responsibilities either upwards to management, or downwards to chargehands.

The jealousy between unions may be compounded by divisions within management. Area managers are sometimes unwilling to be taught lessons by "outsiders," and colliery managers with strong local loyalties often talk as if British Coal were a distant, unwelcome intruder.

After reconstruction, these managers will have to deal with the problems of success.

British Coal says the record productivity has been vital to keep down costs and maintain market share. But, since April, stocks have been rising at 1m tonnes a month and now stand at 4m tonnes higher than a year ago.

If productivity growth continues, British Coal may be faced with having to lay off more miners than expected, without the cushioning provided by the generous, government-funded, voluntary redundancy scheme. Due to end in March, this has been essential to ease the reduction in manpower over the past two years.

And then there are the ever-important political considerations.

If the Conservatives are in power when British Coal reaches financial viability, the urge to privatise an industry which has been the source of so much of the labour movement's culture, strength and militancy could be irresistible.

At that stage the unions will be stronger than they are now, and the NUM and the UDM are at one in their opposition to privatisation. There would also be a powerful lobby among managers, who believe that nationalisation is compatible with efficiency. In none of the industries privatised so far has the tradition and culture of nationalisation meant so much.

The irony is that Sir Robert's goal of creating a non-political, successful industry is almost certain to plunge it back into national political controversy.

Europe's angry exchanges

The latest swapping of invective between Paris and Bonn over the strains in the European Monetary System is, if anything, restrained compared with previous squalls over the Deutsche Mark and the French franc.

In a major slanging match in March, 1983, accompanying the EMS realignment of that month, Jacques Delors, now president of the EEC commission, then the French finance minister, publicly accused the Germans of "arrogance and a refusal to understand" over Bonn's reluctance to revalue.

During the 1970s, France twice withdrew from the European currency "snake" because Paris was unwilling to accept a formal devaluation against the D-Mark.

Going back further to the currency unrest of 1968, President de Gaulle stymied some carefully worked-out central bankers' plans for a franc devaluation by delivering his veto at the last minute.

At a bizarre meeting in Bonn in November 1968, which had been meant to hammer out currency accord, international central bankers whiled away the time playing ping-pong, while politicians haggled over whether the D-Mark should be revalued or the franc devalued. The officials were regaled with champagne and canapes—the only form of sustenance that the Bonn economic ministry seemed to have on hand.

Karl Otto Poehl, president of the Bundesbank, has had the good sense to be absent on holiday while this week's row is played out. As somewhat maliciously pointed out in the memoirs of Poehl's predecessor, the late Dr Otmar Emminger, Poehl, then state secretary in the Bonn finance ministry, was also absent skiing at the height of the dollar crisis in 1973, when the Bundesbank had to buy up \$2.7bn of speculative funds in one day.

Emminger got his facts wrong by claiming that Poehl was in Gstaad when it was, in fact, Zermatt. Cautious as ever the Bundesbank would not say yesterday whether Poehl was in either place.

Men and Matters

Honoured advice

Playing both sides of the street could land you in trouble. But playing both sides of the pond can reward you with an OBE, as Walter Eberstadt has discovered.

A partner in Lazard Freres in New York, Eberstadt was honoured in the New Year list for his US investment advice to British institutions. He has spent almost as much time channelling advice in the opposite direction during his 35 years on Wall Street.

His dual role is reflected in his main activities at Lazard. For UK investors, he runs the Capital Growth Bond fund, a pioneer investor since 1982 in zero coupon bonds. To US clients, he offers Scottish and English investors, a vehicle for investing in UK trusts.

Eberstadt considers the trusts "the last great pool of investment funds which is undervalued." He also believes that investors can best avoid the pitfalls of foreign markets by drawing on the international skills of the trust managers. Too many investors are enticed into foreign securities by "superficial statistical deviations" such as attractive p/e ratios. Having failed to develop a deep understanding of the markets abroad, the natural tendency is to dump foreign stocks first when the downturn comes, he says.

Eberstadt worries about a potentially disillusioning end to the present wave of global investment, having seen the previous great surges in US investment abroad, in the early 1950s and early 1960s, end unhappily.

"He'll probably defect to Australia and try to publish his memoirs"

A few things have changed, though, over the years. Shortly after he arrived in New York in 1951, moulded by three British institutions—Oxford, the Army and The Economist—he received his first share order from the Pru. It arrived by post.

Nicolle's posting

After almost 30 years in the corridors of Threadneedle Street, Tony Nicolle, now senior manager of the Bank of England's banking supervision division, will fly to Hong Kong in May to prepare the ground to succeed Robert Fell as the territory's banking commissioner.

For the past three years, Nicolle's main task has been to draft the banking bill that is now before the House of Commons. The secondment to Hong Kong is for three years — though past experience suggests he may still be there well into the 1990s.

When Fell arrived in Hong Kong in 1981 to head its securities commission, he expected his role to be one of "shop-minding". "I shall be in Hong Kong for six months," he said at the time.

Almost six years later, with a major reorganisation of the securities industry behind him, as well as the handling of seven major bank collapses and the drafting of a new banking bill, it will be retirement that finally takes him back to England.

Nicolle is expected to become deputy to Fell on arrival in Hong Kong, taking over the reins fully in the autumn. The task he faces is quite different from that which confronted Fell. Instead of the rodeo ride through successive banking crises, he is expected to have the more straightforward job of ensuring that the sector is equipped to cope with increasingly sophisticated banking demands. These will include regulating the rapid introduction of new banking instruments, and an effort to ensure that bankers properly evaluate the risks involved.

Nicolle may also be given the job of grooming a local man to succeed him as commissioner. Favourite appears to be Kenneth Kwok, who has been trained in Australia and has been handling general policy matters since the departure just two months ago of another Bank of England man, Richard Farrant, who spent two years on secondment as an adviser to Fell.

Drink to that

Morgan Grenfell's role in helping H. P. Bulmer the cider and drinks firm launch a £50m commercial paper refinancing programme is being talked of in the City of London as highly visible in-cider trading.

Observer

INDUSTRIAL UNREST IN FRANCE

Anything is possible now

By David Housego in Paris

THE PUBLIC SECTOR strikes in France have developed such a momentum that only a rash forecaster would predict when they will end. But even as the strikes appeared to harden yesterday, a number of factors seem to be combining to lead towards a settlement.

After 22 days of rail disruptions and now three days of cuts in electricity and urban transport services, public opinion is beginning to turn against the strikers. There are plenty of signs of this, ranging from Paris office workers appearing on television to tell of their four hour journeys to work, to the Mayor of Albertville in the Haute-Savoie complaining of the "traumatic" impact on the ski resorts of his region.

All the unions—apart from the Communist-led CGT—are now aware that this is not a strike that can win substantial concessions from a government which has pledged to restrict public sector wages to a ceiling of 3 per cent. They have been drawn into it partly under pressure from rank and file militants and partly because they cannot afford to be seen staking claims that are noticeably more modest than those of the CGT.

President François Mitterrand and the Socialist party—who had reason to rejoice in the Government's difficulties at the outset—are now more worried by the damaging consequences of a long strike on the left's public image. They are also embarrassed because, as President Mitterrand underlined the other day, they want to demonstrate that their own anti-inflationary credentials are as good as those of Mr Jacques Chirac, the Prime Minister.

Only the Communist Party and the CGT feel they stand to gain by prolonging the movement. The Communists see it as restoring their image of militancy in support of the wage-earners, but, at the same time, there is little doubt that they are leading their troops towards a dead end. If they are, it could provoke further rank and file disillusion, with a backlash against the unions and even the Socialist Party.

On the Government side, any hopes Mr Chirac might have had of winning a "Thatcher" style, clear-cut victory over the unions to restore his image have disappeared in the damage done to the Government's standing by a long strike whose origins and evolution it badly misread.

Striking rail workers block the tracks at Marseille . . . and add to Jacques Chirac's headaches

Beyond that, Mr Chirac does not have support within his own cabinet for a policy of "union bashing"—even if that were his wish. Mr Philippe Seguin, his Minister for Employment and Social Affairs and a man known for his close contacts with the unions, left to holiday in Martinique over the Christmas period after expressing reservations about the way the negotiations were being handled.

Mr Raymond Barre, the former Prime Minister, and a potential challenger to Mr Chirac as the right's presidential candidate, warned in a television interview last night of a need to maintain a dialogue with unions and employees.

These convergent pressures give no clue when the disputes will come to an end. In the railways, at least, the pace has been set by militants who distrust union intervention. Some of them could stay out for a long time yet.

But whatever the outcome, France has lived through a painful period since the student demonstrations erupted in December. The conflicts and violence have reopened old wounds. A government that seemed in October to have a firm grip has seen its authority much diminished.

The worst thing to emerge from the crisis is that France can no longer count on two of the advantages it seemed to have over its European competitors during a period of slow growth and rising unemployment. The toughness of the conflicts in the public sector means it will have difficulty in enforcing continuing wage restraint, which has held the growth in French industrial costs below that of West Germany.

Even if Mr Chirac holds the lid down this year, it could prove more difficult next.

The unrest has also shaken the growing acceptance in France that painful adjustments are unavoidable to improve competitiveness — whether in declining industries, agriculture or the public service. Mr Chirac's reforming zeal — or, perhaps, more that of his more ardent free market ministers — has succeeded in arousing a hornet's nest of conservative, corporatist reaction that has long inhibited change.

In trying to remove the rigidities that have blocked French society with a dose of free market conomics, Mr Chirac seems to have reinforced them. This is true in the universities as well as in the state monoliths like the French railways (SNCF) or the Electricity board (EDF). Change is likely to be put on the back burner until at least after the presidential elections. That reinforces the impression of a government which has been forced to rein in its action — a move first signalled by the postponement of a considerable part of its legislative programme in the wake of the student conflict.

Over the long term, this delay in carrying through much needed structural reforms will inevitably be costly. Both Socialists and Conservatives broadly agree that France's university system—understaffed, ill-equipped and unable to cope with the explosion of student numbers—has to be modified. But the law proposed by the Government managed to crystallise the fears of every student worried by his chances of getting a diploma and a job.

There is a similar agreement on left and right that the state cannot go on subsidising the SNCF to the tune of over FFr 30 bn a year and that its 19th century organisational structure needs change. But the Government allowed itself to be drawn into a conflict with the drivers—the most powerful and best-paid of the rail lobbies—without preparing the ground.

In terms of its public image the Administration has nonetheless been able to present a much more united front through the labour conflicts than it did at the time of the student crisis — particularly since it has succeeded in focusing the issue on a defence of its anti-inflationary policy. In private, though, ministers and deputies are depressed by the Government's handling of the conflict and its downward slide in the opinion polls. But with a majority of only three in the National Assembly, waverers dare not speak out.

This pattern will inevitably change as the presidential election approaches and Mr Chirac's centrist coalition partner, the UDF, prepares to choose its own presidential candidate.

At the same time, Mr Chirac's perceived weakness is likely to encourage much more fluidity in party loyalties. It is by no means inconceivable that many in the UDF would be willing to work under a re-elected President Mitterrand—now the favoured runner according to the polls. Equally, some Socialists might be willing to serve under Mr Raymond Barre if he should be victorious.

Mr Barre — who now heads the public opinion polls as the most popular candidate on the right — has seen his strength reinforced. Events have increasingly borne out his argument that "cohabitation" or a divided executive cannot provide effective government.

Frenchmen remain resolutely in favour of "cohabitation" as symbolising a longed - for harmony between left and right. But the belief that it cannot work at an institutional level is reflected in a revival of proposals for a referendum cutting the presidential term from seven years to five.

As labour conflicts have spilled over into a currency crisis, another casualty of the Government's difficulties has been the credit it had hoped to gain from its management of the economy. But with the franc under pressure, short term money market rates have risen to almost 9 per cent—meaning real rates of almost 7 per cent, about two percentage points higher than when they took office in March. Even at that level, the strikes have deterred the inflow of capital to France.

By the standard of slow-growing European economies, France's performance is not discreditable. Inflation has fallen to 2.3 per cent, growth in real GNP is expanding at about 2.5 per cent, and industrial investment is picking up. The weak spot is the fragile trade balance.

Though the strikes have so far had no major macro-economic effect (apart from the rise in interest rates) the dangers of a revival in inflationary expectations are bound to force the Government to err on the side of more restrictive policies. There is already talk of a lower than expected budget deficit for 1988 and a postponement of personal tax cuts. Mr Chirac believes any devaluation of the franc would be politically suicidal.

If the Government can soldier on until May 1988, that would clearly be Mr Chirac's preference. But for the first time this week, he raised in public the possibility of earlier elections if the labour disputes remain unresolved. Most observers still think that presidential or legislative elections are unlikely to be brought forward. But what has changed over the last two hectic months is that everything has become possible.

Lombard

Moving Whitehall to the regions

By Hazel Duffy

TURF THE Treasury out of Whitehall, convert its Victorian palace into a luxury hotel and send the mandarins to the Albert Dock in Liverpool. After the latest figures on regional employment patterns, it is time to revise the old idea that the government should pull up stumps in London and re-locate en-masse in Harrogate.

Pushing the politicians out would probably be going too far. Let them stay in Westminster where they can keep their ritual late hours, confident of getting taxis home long after taxi drivers in Harrogate have gone to bed.

But Whitehall is another matter. Many of the executive offices of the big civil service departments have been dispersed outside London, with no apparent ill-effects. Tax offices are scattered around the country. Why not the administrators, the policy makers, as well?

How much better for Newcastle if it housed not only the day-to-day running of the DHSS, but the thinkers and policy advisers as well. The dispersal process need not be confined to the big spending departments alone. If the Treasury was dropped on Merseyside, its presence could bestow an influence every bit as important as will the new Northern wing of the Tate Gallery.

Indeed, why not put a "Whitehall" department in every enterprise zone? Any government courageous enough to pursue such a policy would be fulfilling several aims in one swoop.

Personal basis

It would be seen to be paying a lot more than just lip service to the idea of spreading prosperity around the country. Britain, more than any European country, needs to revive its cities, particularly those in the north which have been allowed to decline mostly into soulless despair. With the exceptions perhaps of Bristol, Cardiff and Edinburgh, it is hard to name thriving provincial cities in Britain on the level of Barcelona, Munich, Lyons, for example.

It would be promoting the use of information technology on a substantial scale. Ministers and their top advisers—perhaps on the lines of a "cabinet" system advocated by many as a step to more efficient and effective government—would communicate with their civil servants at least as well across hundreds of miles as on a personal basis within the Whitehall area.

This could be an example to big corporations similarly to disperse their head offices out of London.

It would be getting around the problem of recruitment of clerical grades into the "head offices" of Whitehall, and of more senior levels who do not want to transfer to London because of costs which are not nearly compensated by the London allowance paid to civil servants.

Familiar slogan

It would be freeing office space in London, much of it probably for re-development. Would anybody mourn the demolition of the three hideous towers which house the Departments of the Environment and Transport in Marsham Street, or the DHSS maze at the Elephant and Castle?

Perhaps the Treasury could be turned into a high-class hotel, in common with one of the possible uses for the abandoned County Hall across the river. Or even—but this would need a particularly generous government—it could provide extra space for beleaguered MPs across the road.

Any government prepared to take the bold step of distributing its servants around the country would face enormous opposition from these very people. "Say no to Glasgow" pronounced a sticker denouncing Ministry of Defence plans a few years ago to move some of its people there. Luckily for Glasgow, "Glasgow's miles better" became a much better known slogan.

Civil servants, however, are servants of the people. Pushing them out of the rarefied atmosphere of Whitehall—with suitable safeguards for their conditions of work—may even bring them closer to the public, and make them more appreciated. Not even reluctant civil servants could object to that.

Letters to the Editor

Exchange rate and exports

From the Director-General, Council of Mechanical and Metal Trade Associations

Sir,—NEDO has pointed out that the sterling exchange rate presents an opportunity for manufacturers to increase exports. Our member companies are aware of this and have been giving high priority to overseas marketing. It is not however as simple as this.

Those who have been involved in export marketing of capital goods know very well that success only comes from a sustained campaign, and instant results do not arise from a favourable exchange rate.

That is one reason why this association strongly advocates an industrial strategy developed jointly by Government, industry and the City with the objectives of identifying broad future markets, and then setting the right climate in which manufacturing industry can market over the long term. Industry cannot do this if its decisions are heavily influenced by short term attitudes of City financial interests, and changing political regimes. The DTI should take the lead to set up a strong body drawn from all three parties to determine ways of bringing our UK act together with real consistency, as has been done so successfully in Japan and France. If we had had a strategy on these lines 10 years ago, manufacturing industry would not have suffered so severely in recent years.

There is another factor which has a profound influence on export efforts. Success, particularly in overseas project business, is highly dependent on the financial package the supplier can offer. Increasingly over recent years, contenders have looked to their governments for help to enable them to offer these packages. The support our industry has had has been quite inadequate compared with that given to overseas competitors. On level terms, we do not fear competition, but we need at least the same degree of backing from our Government as the others get.

The £8bn manufacturing industry represented by this association is ready and able to take on any competitor overseas; but it needs the stability of a long-term UK strategy, and at least the same degree of government financial assistance as our competitors receive.

Harry Hornsby,
5 Leicester Street, WC2.

Opportunity for industry

From the Chairman, Excelsior Industrial Holdings

Sir,—Now that the sterling exchange rate in relation to the German mark and the Japanese yen has at last become more realistic and proper, UK manufacturing industry is competitive and has been given another chance. But can it and will it be able to respond to these opportunities?

Economists, financial analysts and journalists seem to think that it only needs a button pushed and increased demand will result in increased output to match and if it doesn't, industry will be at fault. Unfortunately it isn't going to work like that.

Consequently, unless something is done quickly the flood of manufactured imports will not be reduced as it should be by our new competitiveness, but instead will continue and in fact increase at much higher prices to us. Normally in such circumstances UK industry would rush to invest but I suggest it will not do so while interest rates make it more rewarding to invest money in money rather than in making things and while financial managements of large groups and companies dominate policy-making with preference for overseas investment, short-term thinking and expectations of return on capital in manufacturing which they insist should match the easy returns from importing and the almost capital-free service activities.

If we could find a way to divorce manufacturing investment from the high interest rates considered these days by the Exchequer and the banks to be necessary for the maintenance of sterling and to keep inflation in check, maybe we could encourage those in control of major manufacturing to start moving again in this country because unless they do, and quickly, all the advantages will be lost and we shall stay in irreversible decline.

L. J. Tolley,
Whitelands Road,
Ashton-under-Lyne, Lancs.

Brussels not a draw

From Mr M. Hutchings

Sir,—The EEC has recently published a breakdown of the nationality of senior officials (A Grade) working in the Commission. This indicates that the UK is seriously under-represented compared with France, Germany and Italy. Belgium, which is one-fifth of the size of the UK, has more A Grade officials.

It seems that the generous pay and terms offered by the EEC institutions are not enough to encourage UK citizens to apply for jobs in Brussels. Is this because the UK civil service, which I believe is the principal recruitment base for EEC officials, regards Brussels as a backward step in career terms? What other measures can and should be taken to ensure that the UK is properly represented in an institution which is assuming an ever greater influence in our lives?

Michael Hutchings,
21, Holborn Viaduct, EC1.

Investment by trustees

From Mr J. Boyd, QC

Sir,—The statement by a Guinness PR spokesman (December 17) that it is "healthy" and "common practice" for a company's pension fund to hold shares in the company raises an issue which will be of concern to many pension trustees and their beneficiaries. So far it seems to have aroused surprisingly little comment.

Where trustees buy shares in the company, grant it loans or otherwise involve their beneficiaries' money in its financial affairs, they reduce the degree of insulation between the fund and the fortunes of the company. Where the trustees are also executives of the company, as is not uncommon, they may risk complaints of conflict of interest, insider dealing and, in extreme cases, breach of trust.

There will be many pension trustees who avoid such investments as a matter of principle. It would be interesting to know how common the practice of such investment is and on what grounds it can be justified.

John Boyd,
Chiltern House,
Hardwick Road,
Whitchurch,
Nr Pangbourne, Berks.

Wooing the small investor

From the Chairman, British Telecom.

Sir, — Your leader article "Wooing the small investor" (January 6), and comment (December 31) in your columns by Mr Tony Blair, Labour MP for Sedgefield, gives, in the company's view, emphasis to a misleading interpretation of what is happening to the British Telecom share register.

Between May 1985, shortly after the company's first register of shareholders was established, and a recent analysis, the number of individual shareholders has reduced from 1,661,391 (out of a total count of 1,692,979) to 1,488,652, out of a current total register of 1,503,439. In the 12-month period, November 1985 to November 1986, the tally of individual shareholders fell by just 8 per cent. There are, of course, in addition, more than 200,000 employees and ex-employees whose shares are held in trust. The figures represent a massive public involvement in the company as well as a vote of confidence by the individual shareholder.

During the period in question the bill voucher incentive virtually ended. More significantly, the Labour Party published proposals for re-nationalisation which, if implemented, would be highly damaging to all shareholders. Despite these factors, the vast majority of private shareholders remained loyal and hundreds of new British Telecom shareholders are being listed every month.

Many of the "big business" institutions which Mr Blair asserts are controlling and managing British Telecom are, in fact, pension funds, insurance companies and other bodies investing on behalf of millions of UK citizens.

(Sir) George Jefferson,
81 Newgate Street EC1.

Falling house prices

From Mr J. de Rivaz.

Sir,—I refer to your item on January 2 about a wealth tax on land and houses. I wonder really how many readers would like such an idea.

Many people own their homes outright, but due to inflation they could not possibly afford to buy properties in the same situation today. Individual incomes do not all go up neatly in line with inflation. If they had to pay a home tax on the basis of present day values of these properties, they could be forced to move and trade down. Their "windfall" profits in the price of their home would probably be swallowed up in the legal costs, expenses, and taxes associated with moving. This might cause the government problems in the European Court of Human Rights if enough people got together to bring a case.

There are no doubt those that can sit back smugly because they have nice incomes. They can afford home tax. They should however stop and think. If a lot of people are forced to trade down, the price of houses will start falling. Soon, the prices of houses will not cover mortgages, which will be called in. This will result in a further downturn in prices, which will accelerate the process.

By the time the next revaluation was due, the charging basis for home tax would be reduced. The Government however might have to put the rate up, because of the additional burden on the social services dealing with the increased number of homeless and bankrupt.

John de Rivaz,
West Towan House,
Porthtowan,
Truro, Cornwall.

FINANCIAL TIMES

Friday January 9 1987

Mr Carl Icahn

Icahn drops bid to win control of USX

By Roderick Oram in New York

MR CARL Icahn, the US corporate raider turned manager, has dropped his bid for USX, the struggling steel and energy group, after a three-month battle in which he failed to gain the initiative.

USX's share price never rose to match Mr Icahn's $31 a share offer, indicating that other investors thought his attempt to takeover the leading US steel was a long shot. USX shares slipped $¼ to $27⅞ on moderately heavy volume after Mr Icahn's decision to bow out.

In a letter to Mr David Roderick, USX chairman, Mr Icahn said that USX's restructuring moves made the takeover offer "virtually impossible for US to consumate ... we, like your other shareholders, will evaluate with great interest the restructuring proposals which you have announced will be presented to your board by the end of January."

A sharp run up in its share price last autumn triggered defensive actions by USX even before Mr Icahn launched his bid on October 6. At the centre was a long-drawn out study of restructuring options by USX's financial advisers.

The company has already taken interim steps such as spinning off its chemical operations in a new company Aristech Chemicals. The flotation raised about $525m for USX. It has also been seeking buyers of its Marathon Oil and Gas subsidiary which has been a drag on USX.

Mr Icahn, who has won applause for his turnround of Trans World Airlines, said in his letter to Mr Roderick that he might buy more USX stock and may solicit proxies to elect directors to USX's board.

Mr Icahn's investment vehicles hold about 11.4 per cent of USX's stock worth at yesterday's price about $630m. It is believed the stake was acquired at an average price similar to the current market price.

TELECOMMUNICATIONS AND ENGINEERING GROUP LIKELY TO BE SOLD OFF IN MAY

France decides to privatise CGE

BY PAUL BETTS IN PARIS

COMPAGNIE Générale d'Electricité (CGE), the French nationalised telecommunications and engineering group, has been chosen by the French Government as the next large state industrial company to be privatised, Mr Edouard Balladur, the finance and economy minister, announced yesterday.

The privatisation is expected to take place in May. The sell-off will be coupled with a capital increase to help the French group reduce its debt level which has increased as a result of its new telecommunications venture with ITT.

CGE paid ITT $577m for 55.6 per cent control of the venture which has absorbed both groups' telecommunications assets to form the world's second largest telecommunications group after AT&T.

But the deal will inevitably increase CGE's overall long-term debt level of 0.5 per cent of sales, totalling about FFr 84bn in 1986. CGE is expected to report an increase of about 30 per cent in consolidated profits for 1986 compared with earnings of FFr 1.2bn in 1985.

However, CGE hopes to hold down its long-term debts at their traditionally low level through the privatisation of the company and raising new equity.

CGE had been anxious to be chosen for early privatisation by the Government to help it absorb the financial impact of the ITT deal and raise fresh equity to reduce its debt levels. Even before yesterday's announcement by Mr Balladur, CGE had been preparing for privatisation for some time.

Mr Balladur also gave approval yesterday for the new CGE capital increase which will be combined with the privatisation of the group. However, the amount involved in the forthcoming capital increase was not disclosed.

Although Mr Balladur did not give a date for the privatisation of CGE, he had announced last month that a second unnamed state industrial group would be privatised in the second quarter of this year following the privatisation at the end of last year of Saint-Gobain, the state glass and pipes industrial group which successfully began the privatisation programme.

The privatisation of CGE, which also controls the Alsthom heavy engineering group, will follow the sell-off of the Paribas financial group later this month and coincide with the privatisation in the second quarter of this year of Credit Commercial de France (CCF) and two smaller state banks. The state controlled Havas advertising agency and the state TF-1 television network are also due to be sold to the public in coming months.

Strikes hit economy, Page 3;
Feature, Page 19

Banking licence for Marks and Spencer

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

MARKS and Spencer, one of Britain's big retail stores groups, has been granted a licence to take deposits by the Bank of England.

The licence, which represents the first step towards a full banking licence, has been issued in the name of St Michael Financial Services, the group's financial subsidiary which administers its charge card operation.

M&S said yesterday that many of its customers held credit balances in their charge accounts, and that the licence would "regularise" this position. Credit balances could be viewed as deposits. There were no immediate plans to advance more deeply into the banking business, a spokeswoman said.

Since launching the card two years ago, M&S has signed up 1.3m charge card holders whose average transactions are £24 each. The operation has been widely viewed as a sign of the steady convergence between the retailing and banking industries, and some bankers have expressed concern about the encroachment of non-banks in their markets.

Although a banking licence will enable M&S to take in deposits from customers, the company will also have to abide by banking regulations and observe prudential requirements.

M&S is already in the insurance and leasing business.

The group views financial services as an adjunct to its retailing operations and as a means of generating additional sales through its branches. Another retailing group, Burton, holds a deposit takers' licence through its associated company, Welbeck Finance.

Maxwell plans new US media purchases

BY RAYMOND SNODDY IN LONDON

MR ROBERT MAXWELL, publisher of Mirror Group Newspapers in Britain, is planning a substantial new thrust into the US market through a programme of acquisitions of television and newspaper interests. He says news of the first acquisition is "imminent."

Mr Maxwell's Pergamon holding company has been involved in the US for many years and his British Printing and Communication Corporation (BPCC) is a major printer in America.

But the plans to acquire interests in television stations and newspapers is a significant departure, resembling the path taken in the US by Mr Rupert Murdoch, chairman of News International.

Mr Maxwell has set up a new UK-based company, Pergamon Media Trust, as a vehicle for both the new acquisitions in the US and satellite television developments in Europe.

The company has £10m ($14.7m) in paid up capital. But Mr Maxwell says: "Pergamon Media Trust has several hundred million dollars available for acquisitions. We have a staff in America who have been looking at acquisitions for two years."

Pergamon Media Trust is a Maxwell family trust owned by Pergamon Holding Foundation, based in Liechtenstein, and the Maxwell Charitable Trust.

The Mirror publisher has said he has no beneficial interest in the Media Trust.

Mr Maxwell says he wants to acquire newspapers in the US and "influential stakes" in American television companies, possibly including network companies.

The Pergamon Media Trust will also be looking at both radio stations and cable television companies in America.

Mr Maxwell is adamant that he has no intention of becoming an American citizen as Mr Murdoch has done – something he would have to do if he wanted to control American television stations.

Tambo promises to intensify ANC fight

BY ANTHONY ROBINSON IN LUSAKA

MR OLIVER TAMBO, Leader of the African National Congress (ANC), yesterday celebrated the movement's 75th anniversary by rejecting the validity of this year's whites-only election and calling on whites to ignore decades of hostile government propaganda and join the ANC struggle for a non-racial democracy.

At the end of a year marked by a stepped-up military campaign by Umkhonto We Sizwe, the ANC guerrilla army, and the reimposition by Pretoria of a harsh state of emergency, the ANC, he claimed, "has obliged the enemy to fall back on its instrument of last and desperate resort, military dictatorship, and thus admit openly that its authority derives from the force of arms."

Mr Tambo, flanked by President Kenneth Kaunda at a press conference in Lusaka, Zambia, affirmed that the ANC would continue its two-pronged strategy of stepping up its military and political campaign aimed at making South Africa ungovernable while at the same time building on its growing international and diplomatic support to bring Pretoria to the negotiating table.

The ANC leader, faced with growing pressure from the US and other foreign governments to define the organisation's objectives spelled out its aims in a message broadcast by the movement's radio Freedom.

"The revolution will guarantee the individual and equal rights of all South Africans without regard to race, colour or ethnic group and include such freedoms as those of speech, assembly, association, language, religion and the press"

Later this month Mr Tambo is due to meet Mr George Shultz, the US Secretary of State, a meeting which he welcomed as recognition that "there can be no approach to any solution in South Africa that does not begin with the views and aims of the oppressed and their spokesman, the ANC."

The ANC's annual message delivered on behalf of its controlling national executive committee hinted at a more flexible approach to economic policy.

THE LEX COLUMN

Out comes the heavy roller

The use of the heavy roller by the Bank of England and the US Federal Reserve is slowly having its effect on the banking playing field. Now that both are pulling together, progress in removing the bumps might be even quicker, especially if they, and particularly the Fed, can work their famous charm to seduce Japan into joining the game. It might not yet be a croquet lawn, but a village cricket team would probably find the pitch acceptable.

There is nothing in yesterday's joint communique to surprise banks which have kept in touch with the development of the Bank of England's thought processes on the subject of weighting assets according to risk, which seems a more sensible approach than applying blanket gearing ratios.

Five categories of risk should not be too many for accountants to cope with, and while there are some curiosities – should gilt-edged stock be in the same group as local authority debt, when the likes of Liverpool can reach the brink of default! – they are generally consistent.

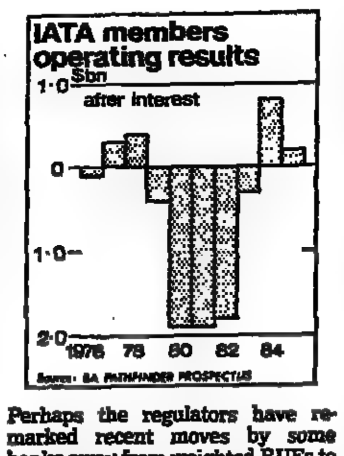
Clearly off-balance-sheet risks present tougher supervisory problems. Like frustrated entomologists the central banks are still trying to capture and measure the various species of instruments, with new ones frequently being discovered or cross-bred.

Interest rate swaps and foreign exchange contracts have yet to be netted, though the idea of weighting them on the basis of replacement cost looks a good starting point for sizing them up. Once that work is done it should concentrate bankers' minds on charging a proper rate for the risks.

But one type of regularly underpriced risk, revolving underwriting facilities, has now been classed as having a less poisonous sting than originally thought. Except for those with original maturities over five years, the earlier Bank of England idea of a weighting of half the undrawn value has been reduced to 25 per cent and 10 per cent for under one year maturities.

This may reflect, as the regulators argue, the historical stability of the undrawn amount of these facilities, but part of the risk of RUFs is that the pattern might change suddenly.

They could then leap on to the balance sheet for the full weighting.



Perhaps the regulators have remarked recent moves by some banks away from weighted RUFs to hitherto unweighted revolving loan facilities. No doubt the less prudent banks will find ways round the new rules, too. Equally, many will need to increase their primary capital. Watch out for rights issues.

British Airways

The pathfinder prospectus for British Airways could scarcely have been launched with greater pomp than Lancaster House, or with more pzazz than the dropping of 40,000 balloons from a passing Concorde. Neither ingredient, however, will have any measurable effect on the pricing success of the issue – the question of the hour. Nor on its success, which will be a matter of the pricing, the impact of BA's roadshows, and the state of the equity market in the first week of February.

If the market were to sustain its new year performance of rising by a couple of per cent per day, the baseline for pricing the issue may be rather higher at the end of the month than it looks today. But on the more sober assumption that the pace slackens, it is probably rather ambitious to talk of a capitalisation that is in any strict sense close to £1bn, other than as a way to jack up the expectations from which the actual price is to be discounted.

If the UK Government pushes hard for the maximum amount of money, the price may be fortuitously close to the 135p at which British Gas made its appearance. But even at 130p, the implied yield of 6.5 per cent looks a little stingy, and the attractions of a starting price nearer 120p must be quite considerable for those whose primary concern is to make the issue fly. At that level, the yield would be a much more enticing 7 per cent. The tussle between maximising the take and smoothing the after-market sounds as if it may be a tough one.

What looks rather good for the after-market, better indeed than had been expected, is the decision to allow up to 35 per cent of the equity to rest in non-UK hands, which allows sufficient liquidity for BA to make its way as a big international trading stock. Which a maximum of 20 per cent going overseas in the issue, there is plenty for experienced airline investors overseas to pick up if the price weakens later on.

Associated News

The preliminary statement from Associated Newspapers contains nothing so vulgar as any analysis of the group's trading or business prospects. Since the market seems fairly convinced of the bull case for dockland tabloids, and has been running the shares up pretty hard for many months, that is perhaps an omission that matters more than it did; there is more riding on the news that Associated does not print.

In fact, the news is by no means bad or even surprising, leaving the shares virtually unchanged, at 403p. The Mail on Sunday has finally reached break-even, cost savings from the redundancy charged in the second half is in the pipeline, and the pressure on advertising rates created by the arrival of Today has yet to be repeated in the launch of Mr Maxwell's Daily News.

So far as the reported figures are concerned, vice and virtue have gone hand in hand: an exceptional credit of £100,000 is made up of roughly £16m of redundancy, offset by a surplus from the sale of shares in Reuters. The net effect is to let Associated cut its cost base without either having a questionable extraordinary item or caning its earnings – so presumably the Reuters tap will continue to drip until the job is finished. This time, the pre-tax of £46m looked a good deal better than expected; in future, the market can build the asset sales into its estimates.

KGB officer dismissed

Continued from Page 1

thal than the NKVD, security police under Stalin, is still pervasive.

Dr Basile Kerblay, a specialist on Soviet society, wrote: "The sense of personal insecurity engendered by these untrammelled powers does entail a far more fundamental difference from Western bureaucracies than the contrast resulting from lower living standards."

Curtailment of the arbitrary authority of the KGB does not mean that its power is declining. On the contrary, under the leadership of Mr Yuri Andropov for 15 years, the KGB became more influential particularly when he succeeded Mr Leonid Brezhnev as Soviet leader in 1982. The KGB also provided the cutting edge of the anti-corruption drive against supporters of Mr Brezhnev which is continuing.

The KGB under Mr Chebrikov, a member of the KGB since 1967 and its leader since 1982, gave Mr Gorbachev full support in his bid for the party leadership and subsequent attacks on the old guard of the party.

Seventy sinister years of the Soviet Union's secret police

BY OUR FOREIGN STAFF

THE KGB – the Soviet Union's Committee for State Security – is the direct descendent of a series of secret security and intelligence organisations starting in 1917 with the Cheka.

The Cheka, headed by F.E. Dzershinsky, was set up to discover and suppress any attempts at counter-revolution, and it was given very wide powers including the running of labour camps, press censorship, and internal security troops.

Indeed, so widespread were its powers and so limited the safeguards against abuses that the organisations slipped beyond party control and became widely feared and hated.

The Cheka was succeeded in 1922 by the GPU, later the OGPU (United State Political Organisation) which became Stalin's instrument for dealing with first the church then members of opposition parties, entrepreneurs, the pre-revolutionary intelligentsia and finally the peasants in the massive forced collectivisation drives.

In 1934 this body was succeeded by the NKVD which was to become notorious for the brutality with which it carried out the "Great Terror" of 1934-38, with the purges in 1936 and '38 of much of the old Bolshevik elite. Some estimates put the number under arrest in 1938 as high as 8m – 5 per cent of the population – of whom around 10 per cent are believed to have been shot, the rest going into labour camps, prison or exile.

But the end of the purges did not signal a dismantling of secret police powers. On the contrary, the dismissal of the NKVD head, the much hated N. I. Yezhov, opened the way for Lavrenty Beria, who was to become the most feared and hated of all Stalin's henchmen. Under Beria the organisation became a mini economic empire, in charge, through the labour camps, of around 10 per cent of the total labour force.

The use of arbitrary arrest and forced labour continued unabated and Beria used the organisation on Stalin's death in 1953, as the springboard for his own bid for supreme power.

His failure, subsequent arrest and execution led to a long period of decline in the power and influence of the KGB – as it was now known – from which it really only began to emerge with the appointment in 1967 of Mr Yuri Andropov as its head. Many of its powers were dismantled or, as in the running of labour camps, siphoned off to various ministries.

The appointment of a party secretary, a member of the party leadership rather than a career KGB officer, as head, signalled the start of a drive to rehabilitate and upgrade the organisation, ridding it of the taint of the Stalinist years from which it had suffered during the Krushchev period, but at the same time keeping it firmly under party control.

The late Yuri Andropov

Andropov brought in new personnel seeking out young, educated party workers such as Victor Chebrikov, the present head. Andropov's election in 1973 to the Politburo – the first KGB head to achieve this position – marked his success in rehabilitating the KGB as a prestigious and powerful body, at least within the Soviet Union.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	10	50	Dubrovnik	F	2	36	Malta	-	—	—	Rhodes	F	17	63
Algiers	F	13	55	Edinburgh	C	-2	28	Manchester	S	1	34	Rio de J'o	R	41	105
Amsterdam	C	3	37	Faro	B	12	54	Manila	S	31	88	Rome	S	5	41
Athens	C	13	55	Florence	S	3	37	Melbourne	C	14	57	Salzburg	S	-8	18
Bahrain	S	17	63	Frankfurt	C	-2	28	Mexico City	S	26	79	San Francisco	F	4	39
Bangkok	F	31	88	Funchal	C	19	66	Miami	F	16	61	Seoul	C	5	41
Barcelona	S	8	46	Geneva	C	4	39	Milan	S	3	37	Singapore	C	24	75
Beirut	-	—	—	Gibraltar	C	16	61	Montreal	C	-9	16	Stockholm	Sn	-18	0
Belfast	C	3	37	Glasgow	C	-3	27	Moscow	S	-27	-17	Strasbourg	S	-3	27
Belgrade	Sn	-8	18	Guernsey	C	5	41	Munich	C	-6	21	Sydney	C	23	73
Berlin	F	-7	19	Helsinki	S	-23	-9	Nairobi	F	26	79	Taipei	F	20	68
Biarritz	S	4	39	H. Kong	S	19	66	Naples	F	5	41	Tangier	C	17	63
Bombay	S	28	82	Innsbruck	F	-8	18	Nassau	C	20	68	Tel Aviv	F	18	64
Bordeaux	S	1	34	Inverness	C	-2	28	New Delhi	S	20	68	Tenerife	S	23	73
Brussels	S	0	32	Islamabad	C	19	66	New York	F	1	34	Tokyo	S	14	57
Budapest	S	-7	19	Istanbul	R	4	39	Nice	S	8	46	Toronto	C	-3	27
B. Aires	S	31	88	Jakarta	R	29	84	Nicosia	S	17	63	Tunis	C	11	52
Cairo	S	16	61	Jersey	S	5	41	Oporto	C	8	46	Valencia	S	11	52
Cape Town	S	29	84	Jo'burg	C	25	77	Oslo	F	-12	10	Venice	S	0	32
Caracas	C	26	79	Lima	C	26	79	Paris	C	0	32	Vienna	Sn	-7	19
Casablanca	S	20	68	Lisbon	Fg	11	52	Peking	S	5	41	Warsaw	F	-15	5
Chicago	C	-2	28	London	C	2	36	Prague	F	-7	19	Washington	C	4	39
Cologne	S	-3	27	Los Angeles	F	7	45	Reykjavik	R	5	41	Zurich	—	—	—
Copenhagen	C	-2	28	Luxembourg	C	-5	23								
Corfu	S	10	50	Madrid	S	4	39								
Dallas		—	-	Majorca	F	11	52								
Dublin	F	5	41	Malaga	S	16	61								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

BA courts big investor

Continued from Page 1

flotation is not well suited to the small, first-time investor because of the company's variable profits and the consequent risks attached to its share price performance.

The pathfinder prospectus confirms that the airline expects a sharp dip in profits to £145m ($213m) in the year ending this March compared with £195m for the year to March 1986, mainly because of the downturn in transatlantic passenger traffic following the US air attack on Libya and the Chernobyl disaster in April 1986.

Impact day for the offer for sale – the day the price is announced – will be Tuesday January 27 and the prospectus will be published in the national press the following Friday. The offer will close on Friday February 6.

Dealings will begin on Wednesday 11 February but letters of allotment will not go out until five days later.

The prospectus shows that 720.2bn shares will be issued. Based on the supposition that British Airways' market capitalisation will approach £1bn, the share price seems likely to be in the range of 125p to 135p.

The prospectus shows that forecast earnings per share for the current year are 19.9p (13.1p on a 35 per cent tax charge) and that the year's net dividend per share will be 4p – equivalent to 6p on a notional basis.

UK and US banking pact

Continued from Page 1

move towards harmonisation of banking supervision.

Some bankers also said that the accord would have to include the Japanese in order to be effective. Japanese banks have been accused of operating with capital levels that are well below US and European standards, and thereby gaining an unfair competitive advantage.

Mr Leigh-Pemberton said that all the major banking countries, including Japan, are in favour of greater convergence in banking supervision. "Japan represents one of the most important centres to be brought into this exercise," he said.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday January 9 1987

Coleco predicts losses as toy doll sales collapse

BY ANATOLE KALETSKY IN NEW YORK

COLECO Industries, the Connecticut toy maker which has created some of the most profitable crazes in the history of the faddish US toy and game industry, yesterday forecast "a very large loss" for both the fourth quarter and the whole of 1986.

The loss results from a collapse in sales of Cabbage Patch dolls, the hideous looking stuffed humanoids which unaccountably became one of the hottest children's toys of 1985, and underpinned Coleco's recovery from a loss of nearly $80m in 1984 to a record net profit of $82.9m in 1985.

Cabbage Patch sales in 1986 fell to $250m from $600m in 1985. As a result, the company's total turnover would be about 35 per cent down on 1985 sales of $776m, Coleco said.

Despite its Cabbage Patch troubles, the company said it was "well positioned to return to profitability during 1987," as a result of acquisitions of other toy companies as well as plans to launch a talking Cabbage Patch doll.

Last year, in a conscious effort to diversify from the Cabbage Patch, Coleco spent $60m on the acquisition of Selchow & Righter, a maker of board games including Trivial Pursuit and Scrabble. The company also bought Lakeside Industries, manufacturers of talking Wrinkles, "an advanced electronic puppy that speaks over 1,000 phrases." In addition, Coleco bought the North American facilities and marketing rights of Tomy Kokyo, a leading Japanese toymaker, for $62m.

Coleco, which began life as Connecticut leather company in 1932, has had a volatile history as a toymaker. In the mid-1970s, it introduced Pac-Man, the video game which sparked the explosive growth of hand-held video toys. In 1983 it entered the home computer business with disastrous results, eventually taking a charge of $119m against earnings in 1984.

Television stations in US file for bankruptcy

By James Buchan in New York

TWO independent US television stations have this week become involved in bankruptcy proceedings, providing futher evidence of the troubles that have overtaken a once fast-growing industry.

WTTV in Indianapolis said it had filed for protection from its creditors under chapter 11 of the Bankruptcy Code, after problems servicing its bank debt and high-yielding bonds.

The station was bought for $73m in 1984 by a group of investors including Mr Michael Milken, the investment banker at Drexel Burnham Lambert credited with popularising "junk bonds," and is thought to owe about $85m.

At the same time, a group programme maker filed a petition for the involuntary liquidation of WQTV, the former owner of a Boston television station.

The bankruptcy filings confirm the distress that has overtaken the industry, which has seen the number of independent stations double in the last five years. National television advertising revenue has been flat for two years.

While this problem is shared with the stations affiliated to the three national networks – CBS, ABC and NBC – the independents, which are typically highly borrowed, must also contend with steeply rising programme costs.

Grant broadcasting, a large independent operator in Miami, last month filed for protection with as much as $200m outstanding to programme sydicators.

Meanwhile, the prices being paid for independent stations have fallen over 40 per cent from a peak at the beginning of 1986. In November, Lorimar Telepictures, the ambitious television and film production company which produces the series Dallas, was forced to drop a $1.48bn deal to buy six stations, largely affiliates of CBS, after attempting to renegotiate the price several times.

Bond bids for large stake in Hong Kong television company

BY DAVID DODWELL IN HONG KONG

AUSTRALIAN entrepreneur Mr Alan Bond has mounted a bid for a substantial stake in HK-TVB, Hong Kong's leading television company controlled by film-maker Sir Run Run Shaw. The cash and shares bid, expected to be worth about HK$14 a share, values HK-TVB at HK$5.88bn ($755m).

The bid comes only days after trading began in Hong Kong in Mr Bond's newly listed company, Bond International. Speculative enthusiasm over Bond International has hoisted the new group's shares from an issue price of HK$1.18 to a suspension price yesterday of HK$3.85.

The whirlwind entry of Bond into the Hong Kong market underscores the emergence over the past year of unprecedented Australian investment interest in Kong Kong.

Less than a month ago Mr Rupert Murdoch, the Australian-born Media Magnate, took control of the South China Morning Post, Hong Kong's leading English language newspaper, in a bid that valued the group at HK$2.4bn.

Mr Murdoch has had extensive discussions in the recent past on the possible purchase of HK-TVB. It has not been ruled out that Mr Bond's move is a strategic one, launched at a time when Mr Murdoch's attention has been diverted by a battle for control of Australia's largest newspaper group, the Herald and Weekly Times.

No formal announcement about the Bond offer is expected until today, but dealings were suspended yesterday in the shares of Bond International (at HK$3.85), HK-TVB (at HK$11.50) and Shaw Brothers (at HK$4.55), the media group controlled by Sir Run Run Shaw that has a 20 per cent stake in HK-TVB.

A meeting today of the Shaw Brothers board is expected to consider a number of proposals by which Mr Bond can acquire its stake in HK-TVB.

A further personal holding by Sir Run Run Shaw, thought to amount to just under 30 per cent, is expected to be retained by Sir Run Run, but it is understood that a general offer will be made for the whole group.

If Mr Bond has not taken Hong Kong by storm. His newly listed company, Bond International, has attracted immense investor interest.

Even before formal listing, he acquired from Hongkong Land a portfolio of residential properties for HK$1.3bn. He has talked about using his new company to buy into breweries and mining in the companies within 20 years.

He has held discussions on the purchase of Hong Kong's largest brewery, San Miguel. He is also negotiating to buy the Atlas gold and copper mining group in the Philippines. He has a part share in an oil exploration joint venture in China's Hainan Island, and is negotiating to set up two breweries in China.

HK-TVB has been incorporated in Hong Kong since 1967. Shares were offered to the public in 1984. Apart from operating Hong Kong's leading television station, subsidiaries make TV and film commercials, are involved in publishing and printing, retailing and merchandising, and even tours.

A shadow hung over the group last year because of a government review of broadcasting policy, but this was lifted late in the year when government findings appeared to put no constraint on future earning prospects. In the first half of 1986, the group reported an attributable profit of HK$133.75m on a turnover of HK$512m.

Sir Run Run Shaw, who has controlled HK-TVB since shortly after its incorporation, will be 80 this year, and has for some time been seeking a suitable way of reducing his involvement in both HK-TVB and Shaw Brothers.

Hoogovens set to slide into loss

By Laura Raun in Amsterdam

HOOGOVENS, the Dutch steel concern, will probably lose money this year due to tougher-than-ever price competition, Mr Jan Hooglandt, chairman, said yesterday in his New Year speech.

"With a continuation of these (current) circumstances the steel business of Hoogovens in Ijmuiden will post a loss in 1987" he said. "It is doubtful if the expected positive – but still squeezed – results of the other activities will be sufficient to compensate for this loss."

Besides stiff price competition in steel the other adverse circumstances are falling demand for metal cans, smaller profits in aluminium activities and pressure on mineral activities from lower energy prices.

Mr Hooglandt confirmed that Hoogovens' profits for 1986 would fall sharply below the Fl 279m ($128m) of the year before. Net income in the second half of 1986 amounted to "only several tens of millions of guilders," he said, following earnings of Fl 107m in the first half.

Mr Hooglandt said that the company was undertaking a three-pronged campaign to turn business round.

Emphasis would continue to be placed on high quality products and shorter delivery periods.

Paribas issue lead managers

MERRILL LYNCH and Banque Paribas Capital Markets (BPCM) will lead manage the issue of 20 per cent of Compagnie Financière de Paribas shares being offered abroad, the head of BPCM's West German unit said, Reuter reports from Frankfurt.

Ciba hit by agro sales fall

By John Wicks in Zurich

CIBA-GEIGY, the Swiss chemical concern, last year failed to reach the high profits level reported for 1985 due to foreign exchange movements and a fall in the sale of agrochemicals.

Group operating earnings in 1985 had risen 24 per cent to a record SFr 1.47bn ($907m) after a 4 per cent increase in turnover to SFr 18.22bn. Ciba-Geigy, whose parent company dividend was raised from SFr 35 to SFr 38 per share and participation certificate in respect of 1985, forecast last April that 1986 profits would be lower.

Mr Albert Bodmer, chairman of the executive committee, said all divisions other than the agricultural sector showed progress last year. However, the fall in sales to agriculture had been sharper than expected, due largely to the "real structural problems" of US farming.

In the first half of 1986, Ciba-Geigy announced a 27 per cent drop in the Swiss franc turnover of its agricultural division. This was then attributed to the reduction of drop acreages in the US, lower world market prices for agricultural produce, price restrictions in Latin America and bad weather in Europe.

Mr Bodmer said "marked weakening" of the dollar against the Swiss currency and the subsequent fall in sterling, were also factors affecting the company's performance. However, Ciba-Geigy said, it is "satisfied" with last year's results.

Ciba-Geigy announced that it is to phase out production of inorganic pigments at its US subsidiary's Glens Falls plant in New York State within the next two years. This follows a decision last year to phase out dyestuff and some plastics operations at the Toms River works in New Jersey.

The group will, however, retain an important position in the American pigments market. The Glens Falls move will not affect the future of Ciba-Geigy Ten Horn in the Netherlands, which, like Glens Falls, was taken over from Hercules in 1979.

Commodore, Atari launch rival 'clones'

BY LOUISE KEHOE IN SAN FRANCISCO

ATARI and Commodore International appear set the resume their long-running price battle in the low-end personal computer market. Both companies launched low-cost IBM personal computer "clones" at the Consumer Electronics Trade Show in Las Vegas yesterday.

Atari, the California-based company built on video game and home computer sales, yesterday launched one of the cheapest PC clones to date, a $499 machine that is compatible with IBM personal computers.

The bare-bones system comes with a single disk drive and 512k of built-in memory. Atari is offering a monochrome monitor for an extra $200. The company plans to manufacture the new computers at its plant in Taiwan.

Commodore followed Atari's announcement with the launch of its version of a PC clone priced at $999. The PC 10-1 is equivalent to Atari's system with one disk drive but includes a monitor. Commodore is also offering a version with two drives for $1,199.

Atari and Commodore's announcements will step up already heated price competition in the low end of the personal computer market for systems sold to consumers, schools and small businesses. Both companies plan to sell their new computer products in the US through discount mass merchandise stores as well as computer shops.

Mr Jack Tramell, Atari chairman, who acquired the company from Warner Communications in 1984, is known in the computer business for his aggressive marketing tactics. As founder and former president of Commodore he waged a bitter home computer price war with Atari in the early 1980s.

Atari is also aiming to increase its sales to larger business users with the launch of a new version of its proprietary ST personal computer.

TNT declares stake in US courier

BY JAMES BUCHAN IN NEW YORK

TNT, the Australian freight company, announced yesterday that it controlled 17.6 per cent of Airborne Freight, the US parcel and document carrier which recently rebuffed its $170m offer.

In a filing with the Securities and Exchange Commission, TNT said that it had bought 9.3 per cent of Airborne and had agreed to purchase 8.3 per cent from an associate. TNT has enjoyed a close relationship with Mr Rupert Murdoch's News Corporation.

Airborne, the fifth largest private air express company in the US, has recently seen a slowdown in earnings because of price discounting and fleet overcapacity after a period of strong growth. Airborne earned just $8.2m on revenues of $466m last year.

TNT, which is predominantly a road carrier in North America with around 11,000 employees, is believed to be seeking entry into the $6bn US market for air delivery of packets and documents through a friendly deal with Airborne Express, which is based in Seattle.

TNT is thought to want the co-operation of Airborne's Management to help deal with federal legislation which bars companies owned more than 25 per cent overseas from operating a domestic airline.

Last November, Airborne adopted a "poison pill" against hostile purchase of more than 20 per cent of its equity.

General Electric set to cut staffing levels

GENERAL ELECTRIC, the US industrial and consumer products group, expects to shed some of its 12,000 employees in Lynn, Massachusetts, this year because of competition and reduced demand for the engines it makes for jet fighter planes, AP-DJ reports from Boston.

GE expects 700 to 800 hourly employees and several hundred salaried employees in the aircraft division will be laid off, as well as 500 to 600 employees in the non-defence business.

About 8,400 of the Lynn employees work on defence contracts.

One blow to the company was the Defence Department's decision to use the Pratt & Whitney division of United Technologies as a second source for engines used in F-404 jet fighters.

The proposed budget for the Pentagon emphasises spending on missiles and the strategic defence initiative or Star Wars research rather than traditional programmes.

"We will certainly be taking a dip in 1988 and 1989," GE told a Boston newspaper. "We'll feel the first effects in 1987 with a minimum of 700 or so hourly production employees."

Layoffs of salaried employees could begin sooner. "We're happy to see an increase in the defence budget, but it could not possibly have any impact on us early enough to prevent this," GE said.

GE announced last November that it would close its power transformer operations in Pittsfield, laying off 750 hourly and 250 management employees during the next year.

Venezuela to invest in export projects

By Joe Mann in Caracas

VENEZUELA is set to make three major investments in the industrial sector as part of attempts to boost exports.

Petroquimica de Venezuela (Pequiven), the Government-owned petrochemical company and private investors are expected to decide soon on the construction of two new petrochemical plants in the eastern state of Anzoategui.

The new plants will be a 500,000 tonne per year ammonia facility, costing an estimated $333m, and a 500,000 tonne per year MTBB plant, expected to cost $80m. MTBE is an additive for petroleum that increases octane. Both plants will produce primarily for export.

The Government has been seeking foreign partners to provide capital, technology and export assistance for these and other petrochemical projects, but no information has been made public on whom the private investors will be.

In December, Mitsui Petrochemical Industries of Japan signed an agreement with Pequiven and private investors from Venezuela to build a 70,000 tonne per year Polypropylene plant in Zulia state.

It was also announced that the government-owned company which makes ferrosilicates – Venezolana de Ferrosilicio (Fesilven) – will invest over $153m through 1989 to increase its production capacity for ferrosilicates and to begin making metallic silicon. Both products are primarily slated for export.

Airship wins passenger certificate

BY LYNTON McLAIN IN LONDON

THE UK Civil Aviation Authority (CAA) yesterday granted a certificate to Airship Industries permitting fare paying passengers to be carried in the company's latest airship, the 14-passenger Skyship 600.

The certificate was presented to Mr Roger Munk, the designer and technical director of Airship Industries, by Mr Christopher Tugendhat, the chairman of the CAA at a ceremony in London.

This is the second airship designed by Airship Industries to be granted a certificate for commercial passenger operations. The company's first airship, the seven-seat Skyship 500 received its certificate in November 1984 and has operated as an aerial advertising platform carrying paying passengers over London.

Airship Industries said the introduction of the Skyship 600s will double the company's revenues from advertising and promotional work. Revenue will double again with the permission for the craft to carry paying passengers, said the company.

The first commercial operations are due to start in the US by March 1, with UK services following soon after.

Passengers in the UK will pay about £125 ($85) initially for a flight lasting 1¼ hours. Fares will rise to £150 in the summer, with seven flights offered a day.

Mr Nick Greenwood, the marketing director of Airship Industries said yesterday the award of the type certificate for the Skyship 600 craft "gives us the revenue earning base we need."

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Steven Butler on the latest developments in the Brunei bank affair

Net tightens around Khoo empire

THE NET that the Brunei Government has cast around the huge financial empire of Tan Sri Khoo Teck Puat is now being drawn swiftly together.

Officials working closely with the Brunei authorities confirmed yesterday that a decision has been taken to try to obtain control over the Southern Pacific Hotel Corporation, Australia's largest hotel chain, which is owned by the Khoo family trust, and that action was "impending."

The case also faces a critical court hearing on Monday in Hong Kong, in which the Brunei Government will attempt to obtain a summary judgment against Khoo companies in Hong Kong that had guaranteed loans from the National Bank of Brunei (NBB) taken by other Khoo companies in Brunei. A second hearing will follow in Singapore on January 23.

On November 20, the Brunei Government seized and permanently closed NBB, which is 70 per cent owned by Khoo family interests, charging that B$1.3bn (US$595m) had been lent improperly to the Khoo companies. Writs had been served on Khoo companies in Brunei, Hong Kong, and Singapore in an attempt to recover the bank's funds.

Lawyers representing Tan Sri Khoo will seek a two-week adjournment of the case and will oppose efforts to obtain a summary judgment. If they fail, the Brunei authorities could move to wind up or seize the assets of the companies involved in two to four weeks.

This would drastically cut the time available for Tan Sri Khoo to raise money in order to work out a financial settlement with the bank, while keeping his stable of companies intact.

Bankers are hoping to obtain some clarification about how the loans might be repaid when they meet Brunei officials for the first time on January 15.

Talks between the parties aimed at reaching an out-of-court settlement have been broken off for several weeks, with the Brunei authorities sticking to their demands for immediate full repayment of outstanding loans.

Shearson Lehman was recently appointed as Tan Sri Khoo's financial adviser in the affair, and is presumed to be trying to organise a package to keep his business empire afloat. These efforts, however, are at a preliminary stage.

The appointment of Shearson Lehman seems hardly accidental since its affiliate, American Express Bank, is a leading creditor both to NBB and to Tan Sri Khoo's companies.

Tan Sri Khoo, whose Australian hotels chain is now under threat

The Brunei Government came into possession of all but four of the 10,000 shares of the Southern Pacific Hotel Corporation when its lawyers cleaned out the bank's Singapore office on November 20. The share certificates, along with unexecuted share transfer forms, were taken by lawyers representing the Brunei authorities, apparently with no resistance from executives representing Tan Sri Khoo.

There is disagreement about the legal status of the shares, however. Representatives of the Brunei Government say they believe the shares were meant to be pledged as security for a B$395m NBB loan to Leo Investment, a Khoo company based in Brunei, in part because of the presence of the transfer forms.

Representatives of Tan Sri Khoo, however, have said that the shares were lodged with the bank purely for safe keeping and were never pledged as security. It is unclear whether documents exist explicitly pledging the shares as security.

If the Brunei authorities file notice in Australia to have registration of the shares transferred to the controller of the National Bank of Brunei, Southern Pacific Hotel Corporation is expected to oppose this and a court battle could ensue.

The affair has left bankers in Singapore wringing their hands over the more than S$400m (US$183m) of loans outstanding to NBB. Although bankers appear to appreciate that the Brunei authorities are attempting to recover the bank's assets so that creditors can be repaid, they have been blocked from taking more direct action to recover their funds, while eyebrows have been raised over the Brunei authorities' handling of the affair.

When the Brunei Government seized the NBB, it also made a criminal offence for creditors to sue the bank.

French Treasury launches FFr 5bn FRN

BY GEORGE GRAHAM IN PARIS

THE FRENCH Treasury yesterday completed its armoury of government debt instruments with the launch of the first in a new series of state floating-rate bonds.

The FFr 5bn bond is indexed on the average yield of the weekly Treasury bill auction in Paris. This first issue is being taken up by a syndicate led by Banque Nationale de Paris — the first occasion for a year that the French Government has used a lead manager for a bond issue.

BNP, France's largest commercial bank, is one of the 13 primary dealers named recently by the Treasury. Subsequent tranches of the new floating rate bond will be issued by the monthly auctions which are now the Treasury's preferred method.

For the first issue of its type, however, the Treasury felt it was preferable to sell at a fixed price rather than throw the markets into confusion over how to price the bonds. The bonds will pay a yearly coupon calculated as the annualised weighted average rate of the weekly 13-week Treasury bill auction. They are issued at 98.2 per cent, to be repaid in 12 years at 100 per cent.

The floating rate bonds are expected to appeal particularly to France's money market *Sicavs*, or mutual funds, which are now excluded from inter-bank money market investments, and to smaller institutional investors.

BNP said the bond would create a new money market reference rate, since the overnight reference rate is no longer as representative following the Bank of France's move towards relying on money market intervention to control monetary policy.

The Treasury also sold FFr 6.2bn of government debt yesterday in two new tranches of fixed rate bonds. The first monthly auction of 1987 brought bids for FFr 12bn. The Bank of France allotted FFr 3.95bn of the 8.5 per cent 1994 bond at a weighted average yield of 8.9 per cent, and FFr 2.2bn of 8.5 per cent 2002 at a weighted average of 8.94 per cent.

The recent turmoil on French money markets had led to doubts over whether the Government would be able to achieve its funding below 9 per cent. Longer term yields in the French domestic bond market have fallen by as much as 30 basis points this week, however, in anticipation that a reduction in short term French rates would quickly follow the widely-expected realignment of the exchange rate mechanism of the European Monetary System.

Dealers in Paris said yesterday that a considerable proportion of the demand for French bonds over the past week had come from foreign investors, and that foreigners had also been heavy bidders in yesterday's auction.

The French Government has almost completed the process of remodelling funding techniques by moving towards regular auctions both of Treasury bills and bonds. The government debt market has expanded rapidly over recent years with the volume of Treasury bills topping FFr 370bn. The state accounts for about 45 per cent of all new issues in the bond market.

The naming of the 13 new primary dealers is expected to help the Government debt market to become much deeper and more liquid. The participants will be obliged to quote continuous two-way prices across the range of Treasury bills and bonds.

Sweden in plan for own credit rate system

By Sara Webb in Stockholm

SWEDEN COULD soon have its own system of credit rating which would allow investors in the rapidly growing domestic commercial paper market to assess market risk more easily.

The Stockholm School of Economics and Standard & Poor's, the leading US agency, are co-operating in devising a credit assessment system and plan to set up a jointly-owned rating organisation in Sweden this autumn.

The Swedish commercial paper market was launched in 1983 and has developed rapidly, with about 150 borrowers, including quoted companies, local authorities, and finance companies now using the market.

A preliminary study carried out last May by Svenska Handelsbanken, Sweden's second largest bank, and S & P indicated that investors wanted more advice on the relative credit-worthiness of borrowers.

"The Swedish banks don't want to differentiate publicly between their customers and give a relative credit evaluation, and the only way to get around this is by having a credit rating system," says Mr Anders Kvist, head of Svenska Handelsbanken's domestic money and bond market operations.

The idea is to devise a system of relative credit-worthiness, taking into consideration Swedish accounting standards. While a handful of Swedish companies already have international credit ratings, the new system would be purely for domestic borrowers and investors.

The authorities hope that it will increase the market's liquidity and broaden the interest rate differential among borrowers, while at the same time giving the less well-known names access to the market.

Britain and US reach deal on bank capital

By David Lascelles, in London

THE BANK capital accord announced yesterday by the UK and the US contains fresh proposals for dealing with off-balance sheet instruments which have emerged in the international capital markets, such as Note Issuance Facilities (NIFs) and Revolving Underwriting Facilities (RUFs).

The aim, according to bank officials, is to encourage banks to shorten the terms of their commitments under these agreements, and to conduct more frequent credit reviews.

The key to the new proposals is a "conversion factor" which converts the credit risk in off-balance sheet instruments into a credit equivalent that can be measured on a bank's balance sheet, where it will be assigned a risk weighting.

The conversion factor for underwriting facilities is designed to penalise those with longer maturities.

The paper notes: "The category of exposure here giving rise to the greatest concern is the long-term contract that is equivalent in effect to an insurance arrangement in its underlying nature, most notably revolving underwriting facilities."

It goes on: "At the other end of the maturity spectrum, it is accepted that commitments reviewable – and unconditionally cancellable – at least annually involve less risk and that the credit conversion factor should be lower."

The proposed conversion factors, which apply to the original maturity of facilities, are:

- Up to one year – 10 per cent
- One year to five years – 25 per cent
- More than five years – 50 per cent

Currently the UK weights all NIF and RUFs, regardless of maturity, at 50 per cent, meaning that they must be underpinned by half the amount of capital of a full loan commitment.

Cons Gold's profits rise

By Kenneth Marston, in London

MOST OF the seven South African gold mines in the Consolidated Gold Fields group have further increased earnings in the December quarter of last year, lifting aggregate net profits to a new record of R301m ($131m) from R278.8m in the previous three months.

The average gold price received of R29,984 per kg, however, was virtually the same as in the September quarter.

This, coupled with some reduction in overall gold output – because of fires at the Libanon and Kloof mines – and a rise in working costs took aggregate pre-tax profits down to R559.6m from R577.3m in the previous quarter.

$500m straight deal for Danes bears tight terms

BY HAIG SIMONIAN

THE STRAIGHT US dollar Eurobond market was dominated yesterday by a $500m straight deal for the Kingdom of Denmark.

Led by Nomura International, the 7¼ per cent five-year non-callable paper is priced at 101⅛.

This is Nomura's largest US dollar deal to date. It is probably well pleased to have netted the Danes, although they were last year's largest borrower in the Eurobond markets and have chosen a wide variety of lead managers.

Not all Nomura's competitors were enthusiastic about the terms, however, which were found too tight. The issue was straddling its fees at less 2 to less 1⅞ by late afternoon.

Nomura's second deal of the day was a $100m equity warrant issue for Eisai, the Japanese pharmaceutical manufacturer. Guaranteed by Saitama Bank, the par-priced 1992 issue has an indicated coupon of 3⅛ per cent. Final terms will be set on January 16.

Buoyed by the recent strength of stock markets around the world, the bond was trading between 107 and 108.

UBS Securities led a $100m equity warrant issue for Nestle Holdings, the American holding company of the Swiss foods group. The 10-year paper has an indicated coupon of between 5 and 5¼ per cent and an indicated issue price of par.

Each $10,000 bond carries five warrants. Each can be exercised into one Nestle bearer participation certificate (BPC) at around today's closing price. Nestle BPCs closed on Wednesday at SFr 1,815.

The issue was trading strongly at 104-105. The clutch of equity warrant deals for top Swiss names late last year went down well with investors, and the latest Nestle paper does not appear to have been hurt by its slightly longer 10-year maturity. Lead managers wish they could arrange more such deals for suitable Swiss names in need of funds.

The secondary market for straight Eurodollar bonds saw

INTERNATIONAL BONDS

prices up between ¼ and ⅜, with signs of profit-taking at higher levels.

Meanwhile, the floating rate note (FRN) market was gyrating wildly. Selected dated issues saw price rises of between 5 and 8 basis points as some investors continued to sell off perpetual paper in favour of dated issues.

Prices for perpetuals were down between 3 and 6 percentage points in the morning, recovering somewhat on short covering after lunch to close the day around 2 percentage points off. The Lloyds Bank Series Three issue was worst hit, while trading in the Bank of Scotland and Royal Bank of Scotland perpetuals has all but closed, according to one dealer. Some 40 per cent of market makers are now trading on 50 basis point spreads, with the rest sticking to 25 basis points for the time being.

In the Eurosterling new issues market, Baring Brothers led a £50m 10½ per cent 1994 deal for Creditanstalt Bankverein of Austria, priced at 101. This is the borrower's first Eurosterling issue.

The Eurosterling market has re-opened firmly. Less concern on the currency front, and the stronger possibility of interest rate cuts have pushed secondary market prices up, showing lead managers the time is ripe for new paper.

Swiss Bank Corporation International led an Ecu 150m deal for the European Investment Bank. There is a 7⅛ per cent coupon for this seven-year deal, which is priced at 101⅛. The issue was trading within its fees at less 1⅞ to less 1½. The management group includes a strong Swiss contingent.

In Swiss francs, Nippon Telegraph and Telephone (NTT) came as expected with a SFr 200m 4¼ per cent 1995 private placement—the lowest coupon since the end of May 1986. The issue was led by Union Bank of Switzerland (UBS) and priced at 100¼.

UBS also led a SFr 100m private placement for Caisse Nationale des Telecommunications. Guaranteed by France, the 1994 paper, priced at 100¼, also has a 4¼ per cent coupon.

There was a likely and firmer secondary market for Swiss franc issues, helped by the recent cut in customer time deposit rates.

In Luxembourg francs, Aktivbanken, of Denmark, issued a LFr 300m 7¼ per cent par priced 1992 bond, led by Banque Internationale à Luxembourg.

Korea fund debut set for March

AN INVESTMENT fund that will allow foreigners to invest indirectly in South Korean stocks will be launched in London this spring, Ssangyong investment and securities said yesterday, AP reports from Seoul.

The Korean securities firm said the proposed fund, approved by the Finance Ministry, will offer for public subscription 3m shares at US$10 each.

The money raised will be invested mainly in Korean stocks listed on the Korean Stock Exchange, Ssangyong said.

The company said the fund, which it described as a closed-end investment fund, will be called Korea Euro-Fund.

The Korean capital market is not open to foreigners for direct investment, although the Government has pledged to open it gradually.

Ssangyong and Baring Brothers of the UK were listed as the primary managers

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom 7⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10½ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 7¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 7¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AB Electrolux 14½ 90 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 12¾ 89 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10½ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chrysler Corp. 10 91 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 9¼ 92 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL COMPANIES and FINANCE

BP to lower stake in Canadian holding

BY BERNARD SIMON IN TORONTO

BRITISH Petroleum is to reduce its interest in BP Canada from 65 per cent to 57 per cent by not participating in a C$110m (US$80m) share issue by the Canadian company.

Calgary-based BP Canada said that it will issue 3m new shares to Canadian investors at a price of C$36.63 per share. The parent will not take up its entitlement, partly to satisfy demand from Canadian institutional investors for BP Canada shares, and partly to demonstrate a commitment to greater local ownership.

Foreign participation in the Canadian energy industry is a sensitive political issue. BP Canada is holding talks with the Government on official support for expansion of its Wolf Lake heavy oil project in north-east Alberta. The expansion would raise output to 3,300 cubic metres a day from 1,300.

Proceeds of the share issue, which is underwritten by Wood Gundy and McLeod Young Weir, will be used for capital projects and to finance possible acquisitions. Mr Donald Smith, vice-president for finance, said: "We're getting ourselves into a strong financial position to be able to deal with most eventualities."

A subsidiary raised C$41m last year to finance construction of a new gold mine in Newfoundland. The company has also recently expanded its copper, gold and silver mine in north-west Quebec.

BP Canada earned C$14.2m in the first nine months of 1986, 61 per cent lower than a year earlier. Sales dropped by a third to C$200m, mainly as a result of the weak oil and gas market.

The company said that it plans a two-for-one share split in April.

Bad month for Italian unit trusts

By Alan Friedman in Milan

ITALY'S 58 unit trusts were hit by unprecedented redemptions and a sharply reduced inflow of funds last month, causing the lowest net intake of the year.

The net inflow of savers' funds to the unit trusts in December totalled L62bn ($45.9m) – 96.29 per cent below that recorded in December of 1985. The gross inflow was down from L2,372bn in November 1986 L1,483bn. Total redemptions came to L1,402bn in November.

The funds still have a total of around L65,000bn only two years after beginning operations. The January figures will be an important indicator of whether Italy's unit trusts are facing a confidence crisis, or rather have fallen victim to the year-end malaise in the Italian equity market.

Malaysia studies public sale of electricity board

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN authorities have awarded a contract to a consortium, headed by Bumiputra Merchant Bankers and Schroders, the UK merchant banking group, to do a feasibility study on the privatisation of the Malaysian National Electricity Board.

Datuk Leo Moggie, the Minister of Energy, Telecommunications and Posts, said that the study would examine the performance of the utility, its financial needs, and the likely benefits arising from privatisation. The report is expected to be ready within six months.

The study is further evidence of the Government's intention to step up its privatisation programme in order to reduce budget deficits and to stimulate private investment in the depressed Malaysian economy.

So far, it has undertaken a partial privatisation of the Malaysian Airline System and the Malaysian International Shipping Corporation. From January 1 the Malaysian authorities have incorporated a private company, System Telecoms Malaysia to take over the telecommunications department.

If the Government decides to privatise the electricity board, it would be the first Government-owned electricity authority in the world to go public.

For the year ended August 1985 the board had total sales of 2.35bn ringgit ($818m) and an operating surplus of 708m ringgit. After deduction for interest charges and borrowings, the net profit amounted to 554m ringgit.

Other partners in the study are Arthur D. Little, the US management consultant and Tenaga E. W. Bank Preece, which is advising the board on engineering projects.

Norwegians to drop Quebec paper mill plan

By Robert Gibbens in Montreal

SAUBRUGS, the Norwegian forest products group, has dropped plans to build a coated magazine paper mill at Matane, Quebec about 600 miles (965km) northeast of Montreal on the south shore of the St Lawrence river.

Saubrugs has told the Quebec provincial government the risks of the project, with about 200,000 tonnes annual capacity, have increased. The company said this is partly because the capital cost would be C$420m (US$308m) compared with the original estimate of C$327m).

The Federal Government did not agree on financial support for the Saubrugs mill. The Quebec government said plans have been handed over to Donohue, a large pulp and paper company based in Quebec city and 56 per cent-owned by a provincial holdings company.

UK COMPANY NEWS

REUTERS SHARE SALE OFFSETS DEVELOPMENT COSTS

Assoc. Newspapers £46m catches City by surprise

Associated Newspapers Holdings, publisher of the Daily Mail, Mail on Sunday and the London Evening Standard, yesterday surprised the City by announcing that its profits for the 1985-86 year had risen from £41.9m to £46m at the pre-tax level.

Last July the directors said the full benefits of redundancies and reorganisation of national newspapers would not be felt in 1986 and warned that profits for the year to end September were likely to be lower.

Analysts had been looking for a figure between £39m and £40m.

Redundancy and development costs for the year were taken above the line and totalled £18.9m. However, this provision was offset by the sale of shares in Reuters Holdings which amounted to some £16m.

Turnover for the year pushed ahead from £424.5m to £519.9m—apart from its national titles the group publishes a strong of provincial newspapers and periodicals. It also has UK oil and gas interests.

Trading profits rose by 39 per cent to £43.1m. The share of related companies' profits fell to £2.5m (£4.1m) but income from other fixed assets investments improved to £4.7m (£4.4m).

Net interest charges accounted for £3.9m (added £1.6m) and amounts written off investments took £0.5m (£0.8m).

Tax was reduced by £4.9m to £12.5m reflecting an increase in the level of prior year tax benefits in addition to the effect of a continuing reduction in UK corporation tax rates.

Net profits improved by £9m to £33.5m and earnings per 25p share by 6.4p to 25.3p. Shareholders are to receive a final dividend of 4.5p, which lifts their net total from an adjusted 4.25p to 6p per share on the capital enlarged by last year's one-for-10 rights issue.

An analyses of turnover and pre-tax profit by activity shows: newspapers £432.1m (£349.3m) and £31.6m (£21.8m), North Sea oil and gas £34.8m (£25.3m) and £9.4m (£6.2m) and other activities £53m (£49.9m) and £2.1m (£2.9m).

By geographical market the figures broke down as to: UK £465.6m (£375m) and £35.4m (£23m) and overseas £54.3m (£49.5m) and £7.7m (£7.9m).

See Lex

MAI wins bid battle for LCAH

By Clay Harris

MAI yesterday won the battle for London and Continental Advertising Holdings, after gaining the support of the 29.9 per cent stake held by Piccadilly House.

The takeover unites the owners of Britain's two largest roadside poster contractors, Mills & Allen and London & Provincial. MAI agreed in the course of the bid to sell some of the combined group's sites to avoid a reference to the Monopolies and Mergers Commission.

Piccadilly, UK investment arm of Australia's privately-owned Griffin Group, accepted MAI's 27-for-100 share alternative, worth about 123.6p yesterday. It paid about 110p on average for its holding, according to Barclays de Zoete Wedd, Piccadilly's advisers.

Although Piccadilly will hold about 3.7 per cent of MAI, it does not view this as a long-term investment, BZW said. MAI's victory thwarted Piccadilly's own plan to control LCAH, which had initial success with the election of four directors to the board in November.

MAI's 118p cash offer values LCAH at £35.3m. It declared the offer unconditional after Piccadilly's acceptance gave it more than 50 per cent. The offer, originally due to close today, will now remain open until further notice.

Australian insurer takes 7% stake in Hill Samuel

A SECOND Australasian insurance group has emerged as the holder of a significant shareholding in Hill Samuel, the merchant banking and financial services group.

FAI Insurances, a Sydney-based general insurer, told Hill Samuel yesterday that it had acquired 6.8m shares in the group, amounting to a 7.4 per cent stake.

The news came the day after it was confirmed that NZI Corporation, the New Zealand insurance group, had acquired 4.5 per cent of Hill Samuel. Mr Neil MacLachlan of James Capel, FAI's London stockbroker and adviser, said there was "absolutely no connection" between FAI and NZI, or between their purchases of Hill Samuel shares.

FAI is largely controlled by Mr Larry Adler, an Australian financier, and his family. FAI has told Hill Samuel that it has bouht its stake as a long-term portfolio investment in the UK financial sector. There was "no present intention" of launching a bid for the group, Mr MacLachlan said last night.

Hill Samuel has become well known to Australasian investors through its Australian associate, Macquarie Bank.

Casket pays £1.9m for Armatex

S. Casket, the Manchester-based clothing importer and distribution group, is making its first acquisition since two former directors of tights manufacturer David Dixon joined the board in October—and says that others are on the way.

Casket is paying around £1.9m initially for Armatex, a trouser and cloth production business based in east London, which sells to retail chains like Burton, Tesco, C & A and Top Man. In the year to June, Armatex reported pre-tax profits of £489,869 on sales of £6.5m. Net assets were just under £1m.

To pay for the acquisition, Casket is issuing 2.58m shares, of which 500,000 will be retained by the vendors and the rest placed with institutional and other investors.

Yesterday, Casket shares added 1p to 80p.

BOARD MEETINGS

TODAY

Interims:—Peter Black, Gnome Photographic Products, Hambro Currency Distributor Fund.

Finals:—Hawtin.

FUTURE DATES

Interims:—

TR City of London Trust ...... Feb 11

Tip Top Drugstores ...... Jan 19

Finals:—

Acatos and Hutcheson ...... Jan 14

Cookson ...... Apr 2

Fleming Claverhouse Inv. Tst. ...... Jan 12

Hill and Smith ...... Jan 22

LPA Industries ...... Jan 20

Highams claims control of MSCC

By Ian Hamilton Fazey, Northern Correspondent

Highams, the industrial textiles company owned privately by Mr John Whittaker, the northern property developer, yesterday claimed victory in its long-running and acrimonious £37m takeover battle for the Manchester Ship Canal Company.

In an ultimatum to MSCC shareholders Mr Whittaker said that the offer would close next Wednesday afternoon. Since there would be "little prospect of MSCC paying dividends or making a capital distribution for some years," he said those who had not sold to him yet should do so to avoid being locked in.

But Mr Nicholas Berry, MSCC chairman, refuted Mr Whittaker's claim as premature and his ultimatum as a baseless, empty threat. He described Mr Whittaker as a bully who was trying to bluff his way to victory.

Mr Whittaker retorted that further resistance was futile and said that Mr Berry was misleading shareholders by claiming that he could still win.

Highams, which has been buying MSCC shares on the open market all week, claims 58 per cent of the company's equity. But because of a tapered voting structure, weighted towards small shareholders, this would not give it control if held as a single block.

Breaking up a holding into 100-share packets would maximise its voting potential. Highams told the Stock Exchange and Takeover Panel yesterday that it had registered enough transfers of 100-share packets to nominees to give it more than 50 per cent of votes and proxies exercisable at a general meeting.

Mr Berry said this did not take into account that the minority shareholders, who control the company at present, could also break up their holdings. They would be doing so in the six weeks between next Wednesday and the company's annual meeting in Manchester in February, which he said "will clearly be a showdown."

MSCC believes that the value of the company could double in the next 12 months as a result of the canal's position within the boundaries of the new Trafford Park Development Corporation.

Another point at issue yesterday was whether Mr Whittaker would need 75 per cent of the votes to make structural changes to the company. Mr Whittaker said that since MSCC was a statutory company, a simple majority would be sufficient.

Michael Donne looks at British Airways prospectus details

Privatisation fears are grounded

THE GOVERNMENT has moved to reassure the UK independent airline industry that, once privatised, British Airways will be "treated no differently from any other British airline," and that there will be no further route transfers from BA to other airlines, such as occurred in 1984, when BA and British Caledonian swapped their Saudi Arabian and South American routes.

This is one of the most vital points concerning future UK airline industry competition contained in the pathfinder prospectus for the privatisation of BA, published yesterday.

It goes some way towards answering fears in the independent airline sector, and especially from British Caledonian, that the Government, after privatisation, would still regard BA as a privileged airline, entitled to special treatment.

Sir Adam Thomson, chairman of BCal, said yesterday in a message to his own airline's staff that it was essential for everyone in the independent airline industry to, "watch for any moves that are attempted to shore up BA's competitive position—and thereby its financial attractiveness — to the detriment of existing and future opportunity for BCal."

Sir Adam added that BCal has always said it wanted to see BA privately owned, to bring it out of the "cushioned world" of State ownership into the "commercial realities of true enterprise.

"But privatisation must be on a basis that does not inhibit the potential of the existing independent carriers, but which maintains a regime of fair and equal competition."

The BA prospectus contains the text of a letter written by Mr John Moores, the Transport Secretary, to Lord King the chairman of BA, and actually dated January 27 next (the "impact day" when the price of the offer sale will be announced).

Lord King (left), chairman of BA, and Mr John Moore, Secretary of State for Transport

The letter is intended not only to spell out for BA its future course of action, once privatised, but also to reassure the other airlines in the UK industry that the Government will not be giving BA any preferential treatment.

It stresses that after privatisation, "the system for regulation for airlines will continue unchanged."

Recognising that in the past the business of BA and its predecessors has been affected by Government policies, the letter declares that "the present regulatory framework provides a stable environment for the industry as a whole."

Subject to any changes that may become necessary under the White Paper on Airline Competition Policy of 1984, the subsequent Civil Aviation Act of 1982 and the Airports Act of 1986, "it is the Government's intention that British Airways should be treated no differently from any other British airline."

This is taken to mean that BA will be given no preferential treatment in the negotiation of UK and overseas route rights, and will have to take its chance in the international air transport market.

But BCal, its biggest international competitor on scheduled routes, remains sceptical.

Sir Adam declared: "BCal and our political supporters will be looking towards the Government's Airline Competition Policy and those who administer it to be the strong, unassailable arbiters of true competition and fair play, in a British air transport industry where all airlines are privately owned, but in which one, by virtue of historical background, is six times the size of its nearest rival."

The BA prospectus highlights the dramatic improvement in the State airline's fortunes in recent years, but also indicates areas of concern for the future.

Productivity, as measured by the volume of available tonne-kilometres (ATKS) of passenger, cargo and mail capacity produced per employee, rose from 157,500 in 1982 to reach 212,600 in 1985, but slackened to reach only 220,900 in 1986. This was still well below the productivity of BCal, at 263,000 ATKs in 1986.

In all other areas, BA is improving. Revenue per tonne-kilometre flown, passenger load factors, the number of passengers carried and hours of utilisation per aircraft are all up significantly.

But so are staff numbers. Following the cutback from 51,000 in 1981 to a low of 35,600 in November, 1983, numbers are creeping up again (largely due to the airline's expansion) and reached 39,700 in the six months to end-September, last year.

Wardle Storeys jumps 40% to £5.6m

INCLUDING a contribution in the second half from the RFD acquisition, the Wardle Storeys group raised its profit by 40 per cent, from £4m to £5.61m, in the year ended August 30 1986. This was up to market expectations.

The group makes plastic sheeting for a wide range of customers and, with the RFD purchase, entered the safety and survival equipment business (inflatables and parachutes). The textiles and cables components division of RFD was sold last month for £14.5m.

Group sales in the year rose by 23 per cent to £49.94m, so margins at the pre-tax level strengthened from 9.9 per cent to a record 11.2 per cent. Operating profit came to £5.22m (£3.82m) and net interest received rose to £388,000 (£201,000).

The directors said there had been rapid progress in the integration of RFD and the current year would see increased benefits therefrom.

Savings would result from the move of RFD companies from Godalming and Woking to Dunmurry (Belfast) and South Wales respectively. The shift would create 60 new jobs in Belfast and 50 in Wales.

The directors had now resumed their search for further acquisitions. They had at their call a very strong cash position and would move rapidly when the opportunity occurred.

Overall liquidity increased from £5.5m to £30.7m. That included the value at the balance sheet date of assets awaiting disposal, substantially the whole of which had now been realised.

As regards the current year, the directors said they looked for further success.

After tax £1.55m (£1.1m) and minorities credit £3,000 (debit £27,000), earnings worked through at 23.6p (19.1p) per share. The final dividend is 4p for a net total of 6p, against 5p last time.

● comment

Wardle Storeys is encouraging the market to play one of its favourite games — Spot the Acquisition—by pointing to the £30m cash it has to spend and announcing that it is looking at targets in the £25m-£26m range. The sector of the target does not matter—provided it is in manufacturing, not services—as long as it lacks high r & d or capital expenditure and looks in need of a sharper form of management. Before Mr Taylor is hailed as the next Lord Hanson, it is as well to remember that Wardle is in the early stages of becoming a conglomerate. However, the group deserves a pat on the back for its handling of its first acquisition, RFD. Most of the unwanted bits have been sold, netting Wardle nearly as much as the whole group cost. What remain are the parachute and rubber dinghy companies which Wardle wanted all along. This year, pre-tax profits are likely to be around £10m, helped by a move towards higher margin laminated plastic sheeting and £1½m-£2m from dinghys and parachutes. The prospective p/e of 17, on yesterday's close of 388p, gives the management scope to use its paper as well as its cash in its acquisition spree.

Lucas spends £30m in US on aerospace expansion

BY CHARLES BATCHELOR

Lucas Industries, the aerospace, automotive and industrial components group, is paying $44.5m (£30m) to acquire two US aerospace equipment manufacturers in separate deals.

Lucas has acquired Schaevitz Engineering, a Philadelphia-based manufacturer of sensors and transducers used in industry and aerospace for $33m cash.

Schaevitz made a pre-tax profit of $2m on turnover of $23.6m in 1985 after spending $3.1m on research and development. It has manufacturing plants in Philadelphia and Slough, Bucks.

Lucas also plans to acquire a minority stake in Schaevitz's UK subsidiary for £440,000 in cash and shares. Schaevitz will become part of Lucas's industrial systems division.

The British company has also acquired AUL Instruments of New York for $11.5m cash. AUL makes defence electronics and test equipment and has plants in Long Island and Pennsylvania.

It made a pre-tax profit of $2.7m on sales of $18.6m in the year ended March 1986. AUL will become part of Lucas Aerospace.

Sir Godfrey Messervy, Lucas chairman, announced plans for further acquisitions in the aerospace and industrial fields last November when he unveiled Lucas's figures for the year ended July 1986. Pre-tax profits rose 65 per cent to £95.2m.

Lucas's shares fell 2p yesterday to 493p.

Baker Perkins in bid talks

BY STEPHEN THOMPSON

Shares of Baker Perkins, the Peterborough-based engineer, soared 55p to 318p yesterday following an announcement that the company was involved in talks which could result in a bid.

At yesterday's closing level Baker Perkins is valued at around £133.5m.

Mr Colin Joyce, finance director, said the company had been engaged in bid talks since before Christmas following a "low-key approach."

The announcement of bid discussions was promepted by a sharp rise in the price of Baker Perkins' shares since the start of the week, Mr Joyce said.

The company's shares were a firm market on Monday and Tuesday, when they rose from 235p to 247p but this could well have been attributed to bullish circulars from two broking firms, Mr Joyce said.

Buying of Baker shares continued late on Wednesday when the company was advised by its bankers to issue a statement, he added.

Talks with the potential bidder had been carried out "in a relaxed way" but the "tempo has now changed," Mr Joyce said. He added that the situation "should be resolved by the middle of next week" when a further announcement will be made.

Baker Perkins' results for the six months to September 30 last showed pre-tax profits more than halved at £3.17m, against £7.34m in the same period the previous year, on turnover marginally higher at £137.85m.

Engineering sector analysts said Baker Perkins held attractions for various companies, including Williams Holdings, APV and Thomas Robinson.

A US predator could not be ruled out one analyst said. Simon Engineering, currently fighting off a takeover bid from Valuedale, said it was not involved in talks with Baker Perkins.

Caledonia acquires 10.6% of Close

BY CHARLES BATCHELOR

Caledonia Investments, the low-profile investment company which is controlled by the Cayzer family, yesterday announced the purchase of a 10.6 per cent stake in Close Brothers, the merchant banking group, for about £3.5m.

Caledonia, which is 49 per cent owned by the Cayzers is best known for its large shareholding, recently reduced from 46 to 33 per cent, in British & Commonwealth Holdings, the transport and financial services group where Mr John Gunn is now chief executive.

Both Caledonia and B & C are chaired by the 76-year-old Lord Cayzer, a prominent supporter of the Tory party, and the third generation of the family to head their business interests since the founding of Clan Line Steamers, the family shipping line in the late 19th century.

The purchase of the Close shares—from the British Airways pension fund—is a rare example of Caledonia making a major new investment of its own, though it has been active in underwriting B&C's purchase of Exco International and recently bought additional B&C shares.

The arrival of Mr Gunn, former chief executive of Exco, at B&C, and his announcement of a more active role for the company in managing its businesses has, in the view of the Caledonia board, pushed the investment group even further into the shade. The self-effacement previously so studiously practiced at Caledonia has gone too far, the Cayzers now acknowledge.

"Some people have even gone so far as ot sugegst that the Cayzer dynasty is at an end," said Mr Peter Buckley, himself a Cayzer and a director of both Caledonia and B&C. "It is not really quite so.

"The acquisition of the stake in Close is not momentous on its own but it does signify that Caledonia has a responsibility to do the best for its own shareholders. People have tended to ignore Caledonia in recent years.

"There may now be more activity in the Caledonia camp," said Mr Buckley. "We have been thinking about this for some time."

Any new deals are likely to follow the avowedly opportunist pattern of past transactions. "Close was opportunistic and came to us because it would not have been appropriate for B & C, which already owned Cayzer, a licenced deposit taker," said Mr Buckley. "But those who make great plans might be being led by the nose. The world is a changing place."

Steetley divestment talks

Steetley is in talks to divest three of its smaller refractory operations to enable it to concentrate long term on its principal refractory products operations at Steetley, near Worksop, and Dudley, near Birmingham.

The three divestments are fireclay holloware at Thomas Wragg Works, near Sheffield, the monolithics operations at Rotherham, and the metallurgical products operation at Oughtibridge.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Abbey¶ ......int.	2.5	—	2	—	5
Assocd. Newspapers ...	4.5†	Feb 20	2.88*	6	4.25*
Stanley Leisure ......int.	1.75	Feb 19	nil	—	nil
Wardle Storeys	4†	Feb 9	3.3	6	5
Dewhurst	0.8	—	0.7	1.2	1.05

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish currency throughout.

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
136	118	Ass. Brit. Ind. Ordinary	136	+1	7.3	5.4	8.3
147	121	Ass. Brit. Ind. CULS	145	—	10.0	6.9	—
40	29	Armitage and Rhodes	35	—	4.2	12.0	4.9
71	64	BBB Design Group (USM) ...	66	+1	1.4	2.1	16.2
215	186	Bardon Hill Group	215	—	4.6	2.1	24.4
96	65	Bray Technologies	96	—	4.3	4.5	11.4
138	76	CCL Group Ordinary	130	—	2.8	2.2	8.2
107	88	CCL Group 11pc Conv. Pref.	98	—	15.7	16.9	—
269	118	Carborundum Ordinary	268	—	9.1	3.4	13.0
93	90	Carborundum 7.5pc Pref.	92	—	10.7	11.6	—
125	75	George Blair	91	+1	3.8	4.2	2.3
97	87	Ind. Precision Castings	96	—	6.7	7.0	8.8
176	140	Isis Group	140	−2	18.3	13.1	8.0
124	101	Jackson Group	123	—	6.1	5.0	8.4
377	280	James Burrough	323	−2	17.0	5.3	9.1
100	89	James Burrough 9pc Pref. ...	89	—	12.9	14.5	—
1035	342	Multihouse NV (AmstSE)......	760	—	—	—	39.3
390	260	Record Ridgway Ordinary ...	352	—	—	—	8.3
100	83	Record Ridgway 10pc Pref. ...	83	—	14.1	17.0	—
89	67	Robert Jenkins	89	—	—	—	3.9
44	30	Scruttons	44	+1	—	—	—
141	67	Torday and Carlisle	141	—	5.7	4.0	8.5
340	324	Trevian Holdings	324	—	7.9	2.4	5.7
79	42	Unilock Holdings (SE)	76	—	2.8	3.7	14.0
118	65	Walter Alexander	118	+1	5.0	4.2	11.3
200	190	W. S. Yeates	195	—	17.4	8.9	19.5
98	67	West Yorks. Ind. Hosp. (USM)	96	—	5.6	5.8	13.7

UK COMPANY NEWS

French investment trust launched in London

BY NIKKI TAIT

A £14.5m FRENCH investment trust is being launched in London by Paribas, the investment bank which is next on the French Government's privatisation list. It owns the stockbroker Quilter Goodison.

Paribas French Investment Trust will issue 15m ordinary shares at 100p each. One quarter of those will be offered to the public at that price, and the remainder placed with institutions. As far as the public offer is concerned, minimum subscription is £500, and the opening date is January 14.

The issue is being sponsored by Quilter & Co. — the first deal handled by the newly-created UK corporate finance arm of the Quilter-Paribas group. It will raise around £14.5m after expenses.

The trust's portfolio will be managed by Paribas Asset Management (UK), a wholly-owned subsidiary of Paribas Asset Management which currently handles funds of around FFr 30bn.

The bulk of the portfolio will comprise stocks listed on the main Paris market, although some smaller companies — quoted on the Second Marche and regional stockmarkets — will also be included, subject to a 25 per cent limit.

Yesterday, fund managers indicated that they liked the look of bank and insurance shares, food companies and leisure stocks. There will be little atempt to hedge the fund against currency movements but in order to restrict any possible discount, the trust has been set a 10-year life.

Despite the recent student action and public sector strikes in France, managers of the fund said they believed the timing of the issue was still fortuitous.

They pointed to the 49.7 per cent rise in the Paris market over the past year, increased interest through the Government's five-year privatisation programme and a potential wave of bid activity.

Private investors had been offered a number of vehicles into the French market recently —including the launch of two specialist unit trusts in October.

Good start at Stanley Leisure

FIRST interim results of Stanley Leisure Organisation, since joining the main market last year, showed that pre-tax profits had increased from £1.04m to £1.3m for the 26 weeks ended October 26 1986 from turnover of £27.07m, compared with £22.95m.

Since the half year end, turnover and profitability had both continued at a satisfactory level

After first half tax of £468,000 against £412,000, earnings per share ere given as 7.8p, compared with 6p, while the maiden interim dividend is 1.75p which ill absorb £197,000.

Abbey closes lossmaking Irish subsidiary

Abbey, Irish - registered builder, is cutting its Irish connections further by the liquidation of P. J. Matthews, its builders' providers subsidiary.

Matthews reported losses of I£331,000 in the six months to October 31 1986. Directors said that as they could see no prospect of a return to profits in the immediate future they had decided to put the company into liquidation yesterday.

A full year provision of £1.5m has been made in the interim accounts as an extraordinary item.

Abbey's interim pre-tax profit came out at I£3.84m (£3.66m) a rise of 27 per cent on I£3.03m last time. The directors said that had the sterling exchange rate stayed the same during the period profits would have been about I£4.5m. Turnover fell by 4 per cent to £30.31m (£31.72m).

Earnings per share came out at 10p (6.45p) and the interim dividend has been raised from 2p to 2.5p.

M and J Engineers and Term Rentals continued to increase their share of their markets and were ahead of budget at halfway.

Trading profit was £4.98m (£3.99m) and the pre-tax figure was struck after interest charges of £1.14m (£964,000). The tax charge was £1.49m (£1.51m).

• comment

Ireland arouses strong passions in many but it is still touching to learn that despite the fact that Abbey is headquartered in the UK, has more than 70 per cent of its shareholders in the UK and conducts all its trading in the UK, the group intends to remain Irish-registered. The effect seems to be a needless complication of these figures by including a negative currency effect. Were it not for the Irish registration, the closure of P. J. Matthews should have allowed Abbey to be seen for what it truly is—a builder based in the prosperous South East. Though the house price boom is reportedly slowing, there should be enough steam left to push pre-tax profits above I£8m for the full year. But while the Irish attachment remains, the prospective p/e is unlikely to rise above the present 10 on shares at 218p.

NOTICE OF REDEMPTION AND TERMINATION OF CONVERSION RIGHTS

MITSUI REAL ESTATE DEVELOPMENT CO., LTD.

(Mitsui Fudosan Kabushiki Kaisha)

U.S. $35,000,000

7¼ per cent. Convertible Bonds due 1996 (the "Bonds")

NOTICE IS HEREBY GIVEN that, in accordance with the provision of the Trust Deed dated 12th December, 1980 and as amended by the First Supplemental Trust Deed dated 30th September, 1982 between Mitsui Real Estate Development Co., Ltd. (the "Company") and The Bank of Tokyo Trust Company as Trustee, under which the above-described Bonds were constituted, the Company has elected to exercise its right to, and shall, redeem on February 17, 1987, all of its outstanding Bonds at a redemption price of 103 per cent. of the principal amount thereof, together with accrued interest to such date of redemption which will amount to U.S. $27.59 per U.S. $1,000 principal amount of the Bonds.

The payment of the redemption price and accrued interest will be made on and after February 17, 1987 upon presentation and surrender of the Bonds, together with all coupons appertaining thereto maturing subsequent to February 17, 1987 at the principal office of The Bank of Tokyo Trust Company, as Principal Paying Agent for the Bonds, in New York City, 100 Broadway, New York, New York 10005 or at the principal office in the city indicated below of any of the following Paying Agents:

The Industrial Bank of Japan, Limited, London; Credit Lyonnais, Paris and Luxembourg; Nippon European Bank S.A., Brussels; Commerzbank Aktiengesellschaft, Frankfurt/Main; Mitsui Trust Finance (Hong Kong) Limited, Hong Kong; Union Bank of Switzerland, Zurich; The Development Bank of Singapore Limited, Singapore.

On and after February 17, 1987, interest on the Bonds will cease to accrue.

The Bonds may be converted into shares of Common Stock of the Company at the conversion price (with Bonds taken at their principal amount translated into Japanese Yen at the rate of Yen 214.95 equals U.S. $1) of Yen 448.10 per share of Common Stock. The Company's Common Stock is issuable only in Units of 1,000 shares or integral multiples thereof. A cash adjustment will be paid for any fraction of a Unit.

Each Bondholder who wishes to convert his Bonds should deposit his Bonds, together with all unmatured coupons, with any of the Conversion Agents being the same as the Paying Agents specified above, accompanied by a notice of conversion (the form of which notice is available from any of the Conversion Agents). SUCH CONVERSION RIGHTS WILL TERMINATE AS TO ALL BONDS AT THE CLOSE OF BUSINESS ON FEBRUARY 16, 1987.

For the information of the bondholders, the reported closing prices of the Common Stock of the Company on the Tokyo Stock Exchange during the period from November 26, 1986 to December 26, 1986, ranged from a high of Yen 2,010 to a low of Yen 1,760. The reported closing price of such shares on the Tokyo Stock Exchange on December 26, 1986 was Yen 1,930 per share.

MITSUI REAL ESTATE DEVELOPMENT CO., LTD.
By: The Bank of Tokyo Trust Company
as Principal Paying Agent

Dated: January 9, 1987

APPOINTMENTS

Integrating Dixons Group subsidiaries

As a result of the integration of Power City into Currys, DIXONS GROUP has made the following appointments: Mr Danny Hourigan, out of town stores director, Currys (previously sales director, Power City); Mr Barry Wiseman, purchasing director, SupaSnapS (previously purchasing director, Power City); Mr Geoff Dodds, marketing director, SupaSnapS (previously marketing director, Power City); Mr Jim Rouson, finance director, Dixons Colour Laboratories (previously finance director, Power City); Mr Mark Burton, finance director, SupaSnapS (previously finance director, Dixons Colour Laboratories).

★

Mr Robert C. Carefull, group finance director, has been additionally appointed secretary of BROWN SHIPLEY HOLDINGS, and of Brown, Shipley & Co following the retirement of Mr John Higinbotham.

★

Mr David Dymond has joined SORTEX as marketing director. He was sales and marketing director for the Sulby Vacumatic division of Portals Engineering.

★

Mr Derek Birkin, chief executive and deputy chairman of RTZ, and Mr Jack Eccles, formerly an official of the General, Municipal, Boilermakers and Allied Trades Union, have been appointed part-time members of the board of BRITISH STEEL CORPORATION.

★

CIN IUDUSTRIAL INVESTMENTS, venture capital arm of British Coal Pension Funds, has appointed Ms Caroline Owens, Mr Martin Jelbart, Mr Philip Haskell and Mr Mark Burgess as assistant director. All four were previously managers within the company responsible for making and monitoring unquoted investments.

★

Mr Christopher Bisco has been appointed commercial director, BRITISH NEWSPAPER PRINTING CORPORATION. He was assistant general manager of The News Centre, Portsmouth (Portsmouth and Sunderland Newspapers).

★

Mr J. A. H. Curry has relinquished his executive duties as joint chief executive of UNITECH to develop his private interests, which include acquiring an interest in Auriema Europe. He will continue as a non-executive director of Unitech and retains his shareholding.

★

Mr Brian White, formerly head of business services in the Department of Employment, has been appointed director of counter automation at the POST OFFICE. He succeeds Mr John Denham who has been appointed general manager of Post Office counters in eastern teritory — an area covering the east and south east Midlands, East Anglia and the south-east of England except for London.

Changes at Hawker Siddeley companies

The following appointments have been made in HAWKER SIDDELEY companies. Mr J. F. Callahan, chairman of Fasco Industries Inc, has retired and Mr B. M. Bonfield, a Hawker Siddeley Group director, has been appointed chairman. Mr A. Richards joins the board of Crompton Batteries as sales director. Mr T. J. R. Watt joins the board of Hawker Siddeley Brackett as finance director. Mr J. Watson joins the board of Gardiner Sons and Co. as finance director. On January 31 Mr L. V. R. Smith, managing director of Hawker Siddeley Power Transformers, will retire and Mr T. D. Davies will be appointed to the board as managing director.

Sir Timothy Bevan, Mr F. R. Dolling, Mr A. R. F. Buxton and Mr M. J. Maye have ceased to be directors of BARCLAYS NATIONAL BANK, Barclays Bank's former South African associate. Mr Basil Hersov, chairman of Barclays National Bank, has left the board of Barclays International.

★

Mr John R. Steele, until recently director-general for transport, Commission of the European Communities, has been appointed to the board of P & O CONTAINERS as a non-executive director.

★

EUROPEAN BRAZILIAN BANK has appointed Mr Peter Taylor as senior manager—administration and company secretary in place of Mr Frank Sandringham who has resigned.

★

Mr Nicholas Lewin has been appointed an executive director, international division, of WILLIS FABER & DUMAS.

★

Mr S. A. (Stan) Hardiman has been appointed assistant managing director of TAYLOR WOODROW MANAGEMENT AND ENGINEERING. Mr K. J. (Ken) Day, and Mr M. J. (Mike) Barden, become directors.

★

Mr Paul Gottlieb has been appointed managing director of GREYHOUND GUARANTY, the London-based banking subsidiary of the Greyhound Corporation. He succeeds Mr Michael Reeve who has resigned. Mr Gottlieb was corporate banking director of Girobank.

★

Mr Brian Street, chairman of Air Products, has been appointed vice-chairman of the south eastern region of the CONFEDERATION OF BRITISH INDUSTRY, in succession to Mr Dorian Davies, executive chairman of James Walker and Co.

★

Mr C. E. Hambro has been appointed an assistant director of HAMBROS BANK.

★

CREDITANSTALT, London branch, has appointed Mr James Stewart as senior manager, investment banking.

★

Mr Peter G. Nunn has been appointed director, corporate sales, of HOGG ROBINSON (BENEFIT CONSULTANTS).

★

The STANDARD LIFE ASSURANCE COMPANY has appointed Sir Lawrence Airey of the board. He recently retired as chairman of the Board of Inland Revenue. Prior to that he was at the Treasury from 1958-1979.

★

ARCO has appointed Mr Bill Ritchie to be divisional director of ARCO Merseyside.

Rejoining Robt Fleming

ROBERT FLEMING & CO has reappointed Mr Robert Cooper as a director in its corporate finance department. He rejoins Flemings at the end of January. Mr Cooper was a director in Fleming's corporate finance department from 1977 to 1984. In 1984 he became a director of Kleinwort Benson and in late 1985 joined Next as group finance director, where he will continue as a non-executive director.

FINANCIAL TIMES SURVEY PROGRAMME

The following Financial Times Surveys are to be published next week:—

Tuesday January 13
CONFERENCE AND EXHIBITIONS
Friday January 16
NORDIC BANKING & FINANCE
Saturday January 17
WIDER SHARE OWNERSHIP

Dates of Financial Times Surveys may be changed at short notice

Group Gold Mining Companies' Reports for the quarter ended 31 December 1986

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 68/04880/06)

ISSUED CAPITAL: 102 000 000 shares of R1 each, fully paid.

	Quarter ended 31 Dec. 1986	Quarter ended 30 Sept. 1986	Six months ended 31 Dec. 1986
OPERATING RESULTS			
Gold – East Driefontein			
Ore milled (t)	705 000	705 000	1 410 000
Gold produced (kg)	7 332,0	7 120,5	14 452,5
Yield (g/t)	10,4	10,1	10,3
Price received (R/kg)	29 975	30 075	30 024
Revenue (R/t milled)	312,19	304,25	308,22
Cost (R/t milled)	92,77	91,29	92,03
Profit (R/t milled)	219,42	212,94	216,18
Revenue (R000)	220 092	214 485	434 577
Cost (R000)	65 402	64 360	129 762
Profit (R000)	154 690	150 125	304 815
Gold – West Driefontein			
Ore milled (t)	720 000	720 000	1 440 000
Gold produced (kg)	7 728,0	8 064,0	15 792,0
Yield (g/t)	10,7	11,2	11,0
Price received (R/kg)	29 695	29 856	29 777
Revenue (R/t milled)	319,15	334,85	327,00
Cost (R/t milled)	102,08	101,90	101,99
Profit (R/t milled)	217,07	232,95	225,01
Revenue (R000)	229 790	241 089	470 879
Cost (R000)	73 498	73 364	146 862
Profit (R000)	156 292	167 725	324 017
Uranium Oxide			
Pulp treated (t)	234 880	239 265	474 145
Oxide produced (kg)	19 684	20 773	40 457
Yield (kg/t)	0,084	0,087	0,085
FINANCIAL RESULTS (R000)			
Working profit: Gold	310 982	317 850	628 832
Profit on sale of Uranium Oxide and Sulphuric Acid	3 988	1 021	5 009
Net tribute royalties and sundry mining revenue	1 930	3 383	5 313
Net mining revenue	316 900	322 254	639 154
Net non-mining revenue (group)	19 296	21 656	40 952
Profit before tax and State's share of profit	336 196	343 910	680 106
Tax and State's share of profit	206 489	220 058	426 567
Profit after tax and State's share of profit	129 707	123 852	253 559
Capital expenditure	33 968	27 944	61 912
Dividend	147 900	—	147 900

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1986 was R540,6 million.

DIVIDEND. A dividend (No. 27) of 145 cents per share was declared on 9 December 1986, payable to members on or about 11 February 1987.

SHAFTS

East Driefontein

No. 4 Shaft-E. The shaft has been commissioned.

No. 5 Sub-Vertical Shaft-E. The shaft was sunk 148 metres to a depth of 214 metres below collar.

West Driefontein

No. 6 Tertiary Shaft-W. The shaft has been commissioned.

No. 7 Shaft-W. The shaft was sunk 114 metres to a depth of 1 774 metres below collar. Excavation work on 22 Level was completed and work on the loading arrangements below 22 Level has begun.

No. 8 Shaft-W. The excavation and support of 6 Level station was completed. The shaft was stripped and preparatory work has commenced for the installation of the fans.

On behalf of the board
A. J. Wright
B. R. van Rooyen } *Directors*

8 January 1987

Vlakfontein

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 000 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1986	Quarter ended 30 Sept. 1986	Six months ended 31 Dec. 1986
OPERATING RESULTS			
Gold			
Ore milled:			
from surface dumps (t)	59 005	61 623	120 628
from outside sources (t)	150 995	148 377	299 372
Total milled (t)	210 000	210 000	420 000
Gold produced (kg)	266,4	225,6	492,0
Yield (g/t)	1,3	1,1	1,2
Price received (R/kg)	29 987	30 542	30 025
Revenue (R/t milled)	37,58	32,85	35,21
Working cost (R/t milled)	18,95	17,46	18,19
Rock purchased (R/t milled)	14,06	9,06	11,56
Profit (R/t milled)	4,59	6,33	5,46
Revenue (R000)	7 892	6 898	14 790
Working cost (R000)	3 976	3 667	7 643
Rock purchased (R000)	2 953	1 902	4 855
Profit (R000)	963	1 329	2 292
FINANCIAL RESULTS (R000)			
Working profit: Gold	963	1 329	2 292
Net sundry revenue	464	599	1 063
Profit before tax	1 427	1 928	3 355
Tax:			
Formula tax	507	923	1 430
Non-mining tax	134	135	269
Profit after tax	786	870	1 656
Capital expenditure	401	16	417
Dividend	900	—	900

CAPITAL EXPENDITURE.
(a) The unexpended balance of authorised capital expenditure at 31 December 1986 was R8,6 million.
(b) Included in the total of capital expenditure for the quarter ended 31 December 1986 is an amount of R374 000 in respect of Droogebult.

DIVIDEND. A dividend (No. 81) of 15 cents per share was declared on 9 December 1986, payable to members on or about 11 February 1987.

DROOGEBULT PROJECT. Mining operations have commenced on the farm Droogebult 170 IR near Nigel. Preliminary excavation for the inclined haulage has been carried out to a depth of 20 metres and sinking of the haulage has started. Construction and grading of the bank area is in progress.

On behalf of the board
A. J. Wright
G. P. Alvey } *Directors*

8 January 1987

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05/08381/06)

ISSUED CAPITAL: 8 000 000 shares of R1 each, fully paid.

	Quarter ended 31 Dec. 1986	Quarter ended 30 Sept. 1986	Six months ended 31 Dec. 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	435 000	435 000	870 000
Gold produced (kg)	2 001,0	2 189,5	4 190,5
Yield (g/t)	4,6	5,0	4,8
Price received (R/kg)	30 185	29 706	29 935
Revenue (R/t milled)	139,04	149,77	144,40
Cost (R/t milled)	84,43	83,30	83,86
Profit (R/t milled)	54,61	66,47	60,54
Revenue (R000)	60 482	65 148	125 630
Cost (R000)	36 727	36 233	72 960
Profit (R000)	23 755	28 915	52 670
FINANCIAL RESULTS (R000)			
Working profit: Gold	23 755	28 915	52 670
Net sundry revenue	2 691	3 410	6 101
Profit before tax and State's share of profit	26 446	32 325	58 771
Tax and State's share of profit	11 375	15 763	27 138
Profit after tax and State's share of profit	15 071	16 562	31 633
Capital expenditure	8 866	6 297	15 163
Dividend	14 000	—	14 000

SHARE CAPITAL. The company has exercised its option to acquire the mineral rights over 369,3168 hectares of the farm Doornkloof 350 I.Q., from Gold Fields Mining and Development Limited in exchange for 62 700 shares of R1 each at a price of R20 per share being the middle market price of such shares ruling on The Johannesburg Stock Exchange on the date of commencement of the prospecting period in terms of an agreement dated 16 September 1982. The shares were allotted on 28 November 1986 in terms of a directors' resolution passed on that date and application has been made to both The Johannesburg Stock Exchange and the Stock Exchange, London for a listing of these shares to commence on 14 January 1987.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1986 was R52,0 million.

DIVIDEND. A dividend (No. 72) of 175 cents per share was declared on 9 December 1986, payable to members on or about 11 February 1987.

PRODUCTION. The fire reported in the previous quarter has been extinguished and the area re-opened for stoping. The mine grade is still affected due to limited production from the high-grade zone.

On behalf of the board
A. J. Wright
A. H. Munro } *Directors*

8 January 1987

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/04462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1986	Quarter ended 30 Sept. 1986	Six months ended 31 Dec. 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	517 000	540 000	1 057 000
Gold produced (kg)	7 238,0	7 560,0	14 798,0
Yield (g/t)	14,0	14,0	14,0
Price received (R/kg)	30 111	30 055	30 082
Revenue (R/t milled)	422,27	421,41	421,83
Cost (R/t milled)	114,27	107,58	110,85
Profit (R/t milled)	308,00	313,83	310,98
Revenue (R000)	218 315	227 561	445 876
Cost (R000)	59 078	58 094	117 172
Profit (R000)	159 237	169 467	328 704
FINANCIAL RESULTS (R000)			
Working profit: Gold	159 237	169 467	328 704
Net sundry revenue	8 762	9 763	18 525
Profit before tax and State's share of profit	167 999	179 230	347 229
Tax and State's share of profit	71 468	94 770	166 238
Profit after tax and State's share of profit	96 531	84 460	180 991
Capital expenditure	63 441	40 685	104 126
Dividend	72 660	—	72 660
Issue of debentures	—	3 450	3 450

SHARE CAPITAL. The extension to the company's lease to incorporate the Leeudoorn area was granted in principle by the Minister of Mineral and Energy Affairs during the quarter. In accordance with the terms of the Vendors' Agreement, the Vendors received a total of R2,73 million as consideration for the rights acquired in the extended lease area, and applied that amount to the subscription for 140 000 shares of 25 cents each in the capital of the company at a price of R19,50 per share. The 140 000 shares were accordingly allotted on 11 November 1986 in terms of a directors' resolution passed on that date and, following applications to both The Johannesburg Stock Exchange and the Stock Exchange London, a listing of these shares was granted with effect from 5 December 1986.

CAPITAL EXPENDITURE.
(a) The unexpended balance of authorised capital expenditure at 31 December 1986 was R567,4 million.
(b) Included in the total of capital expenditure for the quarter ended 31 December 1986 is an amount of R58,0 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 54) of 60 cents per share was declared on 9 December 1986, payable to members on or about 11 February 1987.

PRODUCTION. A fire was detected on 19 November 1986 on 29 Level in the lower portion of the 67 Longwall. The area was sealed off and flooded between 28 and 31 Levels in order to douse the fire, cool the working places and speed up the return to normal production. As a result of the fire, production was adversely affected by a loss of 23 000 tons of ore milled.

The flooded area is being drained. Cleaning up operations preparatory to stoping are in progress and stoping has been resumed in a number of working places.

A claim for loss of revenue will be submitted to the company's insurers.

SHAFTS

Kloof

No. 4 Shaft-K. The shaft was sunk 71 metres to a depth of 1 921 metres below the collar. The excavation of the Ventilation Level was completed and cutting of the Transfer Level is in progress.

Nos. 5A and 5B Auxiliary Shafts-K. Ancillary work prior to commissioning is in progress.

Leeudoorn

No. 1 Shaft-L. The shaft was sunk 325 metres to a depth of 479 metres below the collar.

No. 1 Ventilation Shaft-L. The shaft was sunk 260 metres to a depth of 1 308 metres below the collar.

On behalf of the board
A. J. Wright
B. R. van Rooyen } *Directors*

8 January 1987

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/05632/06)

ISSUED CAPITAL: 5 050 000 shares of R1 each, fully paid.

	Quarter ended 31 Dec. 1986	Quarter ended 30 Sept. 1986	Six months ended 31 Dec. 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	390 000	390 000	780 000
Gold produced (kg)	1 599,0	1 545,7	3 144,7
Yield (g/t)	4,1	4,0	4,0
Price received (R/kg)	30 030	29 630	29 927
Revenue (R/t milled)	123,34	118,42	120,88
Cost (R/t milled)	90,30	86,05	88,18
Profit (R/t milled)	33,04	32,37	32,70
Revenue (R000)	48 101	46 182	94 283
Cost (R000)	35 217	33 559	68 776
Profit (R000)	12 884	12 623	25 507
FINANCIAL RESULTS (R000)			
Working profit: Gold	12 884	12 623	25 507
Net sundry revenue	1 774	1 538	3 312
Profit before tax	14 658	14 161	28 819
Tax	6 855	8 254	15 109
Profit after tax	7 803	5 907	13 710
Capital expenditure	1 832	577	2 409
Dividend	6 060	—	6 060

CAPITAL EXPENDITURE.
(a) The unexpended balance of authorised capital expenditure at 31 December 1986 was R10,5 million.
(b) On the basis that the profits earned during the first half of the year are maintained during the second half, it is estimated that capital expenditure will total approximately R7,5 million, compared with the projection of R8,0 million published in the annual report.

DIVIDEND. A dividend (No. 95) of 120 cents per share was declared on 9 December 1986, payable to members on or about 11 February 1987.

On behalf of the board
A. J. Wright
G. P. Alvey } *Directors*

8 January 1987

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 10 000 000 shares of R1 each, fully paid.

	Quarter ended 31 Dec. 1986	Quarter ended 30 Sept. 1986	Six months ended 31 Dec. 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	366 000	366 000	732 000
Gold produced (kg)	2 159,4	2 086,2	4 245,6
Yield (g/t)	5,9	5,7	5,8
Price received (R/kg)	29 877	30 542	30 203
Revenue (R/t milled)	176,55	174,38	175,46
Cost (R/t milled)	114,53	114,57	114,55
Profit (R/t milled)	62,02	59,81	60,91
Revenue (R000)	64 616	63 822	128 438
Cost (R000)	41 918	41 932	83 850
Profit (R000)	22 698	21 890	44 588
FINANCIAL RESULTS (R000)			
Working profit: Gold	22 698	21 890	44 588
Net sundry revenue	2 311	2 598	4 909
Profit before tax and State's share of profit	25 009	24 488	49 497
Tax and State's share of profit	5 326	4 999	10 325
Profit after tax and State's share of profit	19 683	19 489	39 172
Capital expenditure	12 744	12 553	25 297
Dividend	11 000	—	11 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1986 was R111,0 million.

DIVIDEND. A dividend (No. 61) of 110 cents per share was declared on 9 December 1986, payable to members on or about 11 February 1987.

No. 3 SUB-VERTICAL SHAFT. The shaft was sunk 68 metres to a depth of 1 394 metres below collar. 47 Level station cutting and development is in progress.

On behalf of the board
A. J. Wright
A. Mookman } *Directors*

8 January 1987

Deelkraal

Deelkraal Gold Mining Company Limited
(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1986	Quarter ended 30 Sept. 1986	Six months ended 31 Dec. 1986
OPERATING RESULTS			
Gold			
Ore milled (t)	375 000	375 000	750 000
Gold produced (kg)	1 912,5	1 850,1	3 762,6
Yield (g/t)	5,1	4,9	5,0
Price received (R/kg)	30 316	29 282	29 807
Revenue (R/t milled)	154,86	144,71	149,79
Cost (R/t milled)	77,33	77,43	77,39
Profit (R/t milled)	77,53	67,28	72,40
Revenue (R000)	58 073	54 266	112 339
Cost (R000)	29 001	29 036	58 037
Profit (R000)	29 072	25 230	54 302
FINANCIAL RESULTS (R000)			
Working profit: Gold	29 072	25 230	54 302
Net sundry revenue	2 331	2 436	4 767
Total profit	31 403	27 666	59 069
Capital expenditure	9 209	9 269	18 478
Dividend	24 885	—	24 885

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1986 was R126,0 million.

DIVIDEND. A dividend (No. 8) of 25 cents per share was declared on 9 December 1986, payable to members on or about 11 February 1987.

On behalf of the board
A. J. Wright
B. R. van Rooyen } *Directors*

8 January 1987

Note:
Copies may be obtained from the United Kingdom Registrar:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London, SW1P 1PL.

GOLD FIELDS
OF SOUTH AFRICA LIMITED

A copy of this document, which contains listing particulars with regard to Paribas French Investment Trust PLC (the "Company") given in compliance with The Stock Exchange (Listing) Regulations 1984, has been delivered to the Registrar of Companies in England and Wales as required by those regulations. Application has been made to the Council of The Stock Exchange for all of the Ordinary Shares of 25p each of the Company, issued and now being issued, to be admitted to the Official List.

The Directors of the Company (the "Directors"), whose names appear under the heading "Directors and Advisers" below, are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The application list for the Ordinary Shares available for subscription by the public will open at 10 a.m. on 14th January, 1987 and will close at any time thereafter. It is expected that admission to the Official List will become effective and dealings in the issued ordinary share capital of the Company will commence on 19th January, 1987.

The procedure for application together with an application form for the 3,750,000 Ordinary Shares available for subscription by the public is set out at the end of this document.

Paribas French Investment Trust PLC

(Incorporated in England and Wales under the Companies Act 1985—Registered No. 2059179)

Placing and Issue
of
15,000,000 Ordinary Shares of 25p each
at 100p per share payable in full on application
sponsored by
Quilter & Co Limited

Share Capital

Authorised £		*Issued and now being issued fully paid* £
3,750,000	in Ordinary Shares of 25p each	3,750,000

The Ordinary Shares now being issued will rank in full for all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of the Company.

Indebtedness

At the close of business on 6th January, 1987 the Company had no loan capital outstanding or created but unissued, no term loans and no borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other contingent liabilities.

Directors and Advisers

Directors

Sir Nicholas Proctor Goodison *(Chairman)*
Richard Arthur Downard
Joseph Etienne Marie Lafont
Alain Leclair
Timothy Stephen Burnett Philpot
all of P.O. Box No. 216,
Garrard House,
31–45, Gresham Street, London EC2V 7LH

Secretary and Registered Office
Robert Anthony Kilborn, F.C.A.,
P.O. Box No. 216,
Garrard House,
31-45, Gresham Street,
London EC2V 7LH

Investment Manager
Paribas Asset Management (U.K.) Limited,
P.O. Box No. 216,
Garrard House,
31-45, Gresham Street,
London EC2V 7LH

Investment Adviser
Paribas Asset Management S.A.,
41, Avenue de l'Opéra,
75002 Paris

Financial Adviser
Banque Paribas,
68, Lombard Street,
London EC3V 9EH

Sponsors and Stockbrokers to the Company
Quilter & Co Limited,
33, Wigmore Street,
London W1H 0BN
and at The Stock Exchange

Underwriters to the Issue
Banque Paribas Capital Markets Limited,
33, Wigmore Street,
London W1H 0BN

Solicitors to the Company
Clifford-Turner,
Blackfriars House,
19, New Bridge Street,
London EC4V 6BY

Solicitors to the Issue
Herbert Smith,
Watling House,
35, Cannon Street,
London EC4M 5SD

Auditors and Reporting Accountants
Touche Ross & Co., *Chartered Accountants*,
Hill House,
1, Little New Street,
London EC4A 3TR

Bankers
The Royal Bank of Scotland plc,
32-34, Cheapside,
London EC2V 6DJ

Registrars and Receiving Agents
W. H. Stentiford & Co.,
Woodland House,
Collingwood Road,
Witham,
Essex CM8 2TS

Custodian
Banque Paribas,
3, Rue d'Antin,
75078 Paris

Definitions

In this document (unless the context otherwise requires) the following expressions have the following meanings:—

"Company"	:	Paribas French Investment Trust PLC
"Directors"	:	the directors of the Company
"Ordinary Shares"	:	the ordinary shares of 25p each in the Company
"The Stock Exchange"	:	the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Admission"	:	admission of the Ordinary Shares, issued and now being issued, to the Official List of The Stock Exchange and such admission becoming effective in accordance with the rules of The Stock Exchange
"the Public Offer"	:	the offer for subscription to the public of 3,750,000 Ordinary Shares described in this document
"the Issue"	:	the placing of 15,000,000 Ordinary Shares including the 3,750,000 Ordinary Shares comprised in the Public Offer
"Issue Price"	:	100p per Ordinary Share
"Manager"	:	Paribas Asset Management (U.K.) Limited
"PAM"	:	Paribas Asset Management S.A., the investment adviser to the Manager
"Paribas group"	:	Compagnie Financière de Paribas, its subsidiaries and associated companies
"French Francs" or "FFr"	:	the lawful currency of France
"Second Market"	:	le Second Marché

PART I

Introduction

Paribas French Investment Trust PLC is a new investment trust, which has been established to invest primarily in French companies whose securities are traded in France. The Directors consider investment in the French stockmarkets offers many opportunities to achieve capital appreciation, both in the securities of established companies and those of new entrants to the markets. The Directors intend that the Company should take advantage of the investment opportunities arising from the French government's privatisation programme. The net proceeds of the Issue receivable by the Company, amounting to approximately £14.5 million, will be invested by the Company in accordance with the investment policy described below.

The Company has an intended life of 10 years and its principal investment objective will be capital growth.

It is intended that the Company will qualify as an investment trust company for United Kingdom tax purposes and it will be managed by Paribas Asset Management (U.K.) Limited.

Investment Policy

The Company will invest principally in securities of companies listed on the main market of the Paris Stock Exchange, on which the securities of most of the larger French quoted companies are traded. The Directors intend to build up and maintain a diversified portfolio, with emphasis on investment in leading companies which satisfy criteria of financial soundness and growth potential. The Company may invest in smaller companies, including those traded on the Second Market or any of the French regional stockmarkets, although such investments will only be made where the Company considers there to be an opportunity for above-average capital growth.

The Company may invest in companies whose securities are not publicly traded; such investments would normally be made in the last round of private financing before a public offering of the securities concerned. The Company will only invest in the securities of such companies where it considers there to be a reasonable prospect of those securities being listed or quoted in the near future. It is not the Directors' intention to invest in "green field" companies.

The Directors intend that the Company's income will be derived mainly from shares and other securities issued by companies. However, pending longer term investment, any cash will be placed on deposit or will be invested in short term securities on which interest will be earned. Any uninvested funds will normally be held in French Francs.

The Company has the power, under its Articles of Association, to borrow up to an amount equal to its adjusted share capital and reserves. The Directors expect that borrowings will be incurred mainly on a short term basis to enable the Company to respond to market opportunities such as the French privatisation issues.

The management of the Company's investments will be subject to the following limits which will be applied at the time each investment is made:—

- not more than 10 per cent. of its assets (before deducting borrowed money) may be lent to, or invested in the securities of, any one company, including loans to or shares in any subsidiary of the Company;
- not more than 25 per cent. of its assets (before deducting borrowed money) may be invested in the aggregate of (a) securities not listed on any recognised stock exchange (for which purpose the Second Market and the French regional stockmarkets are not treated as recognised stock exchanges), and (b) holdings in which the interest of the Company amounts to 20 per cent. or more of the aggregate of the equity capital (including any capital having an element of equity) of any one company listed on a recognised stock exchange;
- the Company will not take management control of any company in which it invests.

The Company will follow the investment policy described above for a minimum period of three years.

The French Economy and Stockmarkets

By reference to the latest available figures, France is the fourth largest economy in terms of GDP and ranks fourth as an exporting nation in the Organisation for Economic Co-operation and Development (OECD). Since 1982 there has been a marked decrease in the rate of inflation and there has been a shift to deregulation in financial policy, which has been reinforced since the parliamentary elections in March of last year. The economic policy of the present government has as its principal objectives: greater flexibility in the employment market; cuts in the corporate tax rate; deregulation of prices; lifting of exchange controls; lowering of income tax rates; and a decrease in the budget deficit. The Directors consider that these factors have created an environment favourable to the expansion of the corporate sector, which is already benefiting from an improvement in the French economy.

The French government has announced a five-year programme for the privatisation of twenty-three companies. The first privatisation, Saint-Gobain, took place in December 1986 and Compagnie Financière de Paribas is expected to be privatised shortly. It is understood that, as in the case of Saint-Gobain, up to 20 per cent. of the shares offered in each privatisation will be made available to foreign investors.

As at 28th November, 1986 the total equity capitalisation (as calculated by the Chambre Syndicale des Agents de Change) of the Paris Stock Exchange, which includes the Second Market, was FFr 1072.5 billion. The recent privatisation of Saint-Gobain, which raised FFr 8.68 billion, and the other 22 privatisations which have been announced are expected to increase the total equity capitalisation of the Paris Stock Exchange by about 20 per cent. over the next five years. Even so the ratio of equity capitalisation to GNP in France would remain low in comparison with the equivalent ratios for the United States, the United Kingdom, Japan and West Germany, indicating scope for the further development of the French equity market.

The improvement in the prospects for the corporate sector has been reflected in the strong performance of the Paris Stock Exchange, as indicated by the 49.7 per cent. rise in the Paris CAC Index for the year to 31st December, 1986.

Investment Management

The Directors will be responsible for the determination of the Company's investment policy and they have appointed Paribas Asset Management (U.K.) Limited as investment manager to manage the Company's portfolio on a day-to-day basis. Other than the restrictions referred to under "Investment Policy", the Directors have not imposed any restrictions on the investments the Manager may make and the Manager may therefore invest on behalf of the Company, on the same basis as other foreign investors, in the shares of Compagnie Financière de Paribas in the forthcoming privatisation issue. Particulars of the investment management agreement are set out in paragraph 7(b) of Part II below.

The Manager is a wholly-owned subsidiary of Paribas Asset Management S.A. ("PAM"). The Manager will be provided with investment advice by PAM under the terms of an investment advisory agreement.

PAM, which is a member of the Paribas group, was formed in 1980 to undertake the investment management activities of Banque Paribas. PAM currently employs over 60 people of whom 18 are professional fund managers. PAM has more than FFr 30 billion of assets under management.

As part of the Paribas group, PAM has access to the group's international economics department, its specialised currency analysis group, and Société d'Analyse Financière Economique ("SAFE"). SAFE is an investment research institution with particular expertise in the French stockmarkets. The Directors consider that the availability of the Paribas group's research services will be a significant factor in the Company's future development and success.

Banque Paribas has been appointed by the Manager to act as the custodian for all those investments of the Company which are located in France.

Directors

The Directors of the Company are as follows:—

Sir Nicholas Goodison, 52, is the Chairman of Quilter Goodison Company Limited and of Quilter & Co Limited and is a director of Banque Paribas Capital Markets Limited. He joined H.E. Goodison & Co in 1958, became a partner in 1962 and senior partner of Quilter Hilton Goodison & Co in 1975. He was elected to the Council of The Stock Exchange in 1968 and has been Chairman of The Stock Exchange since 1976.

Richard Downard, 54, is the investment manager of the Philips Pension Fund with particular responsibility for securities investment.

Joseph Lafont, 49, is Finance Director of Louis Vuitton, a company quoted on the Paris Stock Exchange. He joined the Louis Vuitton group in 1981, prior to which he spent eight years with Jaeger, the instruments group, where he was Directeur General. He is also Chairman of Gordon Choisy, a tanning and leather company.

Alain Leclair, 47, is the Chairman of the Executive Committee of PAM and Chairman of Paribas Asset Management Inc, PAM's holding company. He joined the corporate finance department of Banque Paribas in 1966 and in 1981 he was appointed Senior Vice-President. He subsequently assumed responsibility for the Stock Market Department. He is also a director of various mutual funds.

Timothy Philpot, 42, is a chartered accountant and is Assistant Treasurer of the Liverpool Victoria Friendly Society, which he joined in 1975. He is the fund manager responsible for all the Society's quoted securities. He is also a director of North Atlantic Securities Corporation PLC.

Dividend Policy

Dividends will be declared in sterling and will only be paid out of the income received from the Company's investments. Since the Company's investment objective is capital growth it is expected that net revenue and dividend payments are likely to be modest. The Directors intend to retain not more than 15 per cent. of the Company's income in any accounting period so as to enable the Company to qualify as an investment trust under the Income and Corporation Taxes Act 1970, as described under "Taxation" below.

The Directors intend to pay a final dividend in April of each year in respect of the financial period ended on the preceding 31st December, the first such dividend to be paid in April 1988 in respect of the first accounting period of the Company. They do not intend to pay interim dividends. The Company's Articles of Association provide that surpluses arising from the realisation of investments will not be available for distribution as dividends.

Duration of the Company

The Company has an intended life of 10 years. However, in accordance with the Articles of Association, at the Annual General Meeting of the Company in 1997 and in each following year (if any), the life of the Company may be extended for a further period of one year by a Special Resolution of the Company. Unless such Special Resolution is passed, the Directors are required to convene an Extraordinary General Meeting of the Company within two months following the Annual General Meeting in 1997 (or, where appropriate, following the Annual General Meeting in any later year), at which an Ordinary Resolution will be proposed to wind up the Company. The Articles provide that the votes cast in favour of the winding-up resolution at such meeting will carry such number of votes as represents in aggregate 51 per cent. of the votes cast on such winding-up resolution. **Shareholders will therefore have the opportunity to realise the value of their investment in the medium term at a price which reflects the underlying net assets of the Company.**

Currency Fluctuations, Exchange Control and other Approvals

The Ordinary Shares will be quoted in sterling, whereas the underlying investments of the Company will generally be denominated in French Francs. Investors should be aware that the value of non-sterling investments may be affected by currency fluctuations.

The introduction of exchange controls or other similar regulations in the United Kingdom may affect the Company's income and the marketability of its investments and might restrict the investment opportunities available to the Company.

Under current French regulations, with limited exceptions, the purchase or subscription by the Company of 20 per cent. or less of the share capital of a listed or unlisted company ("Portfolio Investment") will not constitute a foreign direct investment in France, and as such will not require the prior approval of the French exchange control authorities. However, Portfolio Investment in an unlisted company's share capital, will require the prior consent of the Bank of France. The purpose of this consent is to allow the Bank of France to check that the agreed purchase price represents the fair value of the shares. If such unquoted shares are later sold by the Company to a French resident, consent will again be necessary.

The purchase or subscription by the Company of more than 20 per cent. of the share capital of a listed or unlisted French company would be regarded as a foreign direct investment made by a resident of the European Economic Community ("EEC") if EEC residents hold more than 50 per cent. of the share capital and voting rights of the Company or control the composition of its board of directors and there are no other factors which give effective control of the Company to non-EEC residents. Such an investment will not require the prior approval of the French exchange control authorities provided that before making any such investment the Company makes a declaration satisfactory to the authorities that it is an EEC resident investor. However, the Company will not be free to make the investment until the French exchange control authorities have indicated, usually within one to two months from the date of the declaration (depending on the size of the investment), whether they object to the investment on public policy grounds.

Investors should be aware that any change in the rules applicable to foreign investment in France may affect the Company.

Issue Arrangements

The Issue comprises 15,000,000 Ordinary Shares, of which 200,000 are being sold by Quilter Goodison Company Limited and 14,800,000 are new shares. The 15,000,000 Ordinary Shares are being placed by Quilter & Co Limited at the Issue Price. However, in order to comply with the requirements of The Stock Exchange, 3,750,000 new Ordinary Shares comprised in the Issue are being offered to the public for subscription at the Issue Price by Quilter & Co Limited as agent of the Company. Any Ordinary Shares not allotted pursuant to the Public Offer will be included in the placing by Quilter & Co Limited.

Provisional share certificates in respect of the Ordinary Shares comprised in the Issue will be despatched to successful applicants and to placees at their own risk on 16th January, 1987. The share certificates will cease to be provisional when the ordinary share capital of the Company, issued and now being issued, has been admitted to the Official List and such admission has become effective. This is expected to occur on 19th January, 1987. The Ordinary Shares may only be transferred by an instrument of transfer subject to stamp duty. No dealings may occur until Admission.

The procedure for application under the Public Offer for Ordinary Shares and an application form are set out at the end of this document.

Accounts and Accountants' Report

The day to day books of account of the Company will be maintained in French Francs. Audited financial statements of the Company will be prepared in sterling for the period from incorporation to 31st December, 1987 and annually thereafter.

Investments will be stated at market value; when there is no readily available market value a directors' valuation will be used. Differences between market value and cost of investments will be credited or debited to a non-distributable capital reserve. Capital profits or losses on realisation of investments will be credited or debited to the capital reserve at the rate of exchange applicable at the date of realisation.

Assets and liabilities in foreign currencies will be translated into sterling at the rates of exchange ruling on the last day of the financial period (closing rates) except when covered by an open foreign exchange contract, in which case the rate of exchange specified in the contract will be used.

Differences on exchange arising from the opening balance sheet of assets and liabilities maintained in foreign currencies will be taken direct to reserves.

The following is the text of a report received by the Directors from Touche Ross & Co., Chartered Accountants, the Auditors to the Company and Reporting Accountants:—

Hill House,
1, Little New Street,
London EC4A 3TR.

The Directors,
Paribas French Investment Trust PLC,
P.O. Box No. 216,
Garrard House,
31-45, Gresham Street,
London EC2V 7LH

8th January, 1987

Dear Sirs,

The Company was incorporated on 26th September, 1986 in England and Wales with the name "Ballotdeed Public Limited Company" and changed its name on 19th December, 1986 to "Paribas French Investment Trust PLC."

The Company has not traded and has not made up any accounts. The Company has neither paid any dividends nor made any distributions since incorporation.

Yours faithfully,

Touche Ross & Co.
Chartered Accountants

Taxation

The Directors have taken advice on the tax position of the Company and its shareholders in the United Kingdom and France.

The Company

The Directors intend to conduct the affairs of the Company in such a way that the Company satisfies the conditions for approval as an investment trust in accordance with Section 359 of the Income and Corporation Taxes Act 1970 (as amended). They intend to apply to the Inland Revenue for such approval, which is granted retrospectively in respect of each accounting period. As a result of the provisions of the Finance Act 1980, the Company will be exempt from corporation tax on its chargeable gains relating to periods in respect of which such approval is given. The Company's income, after deduction of management expenses and charges on income, will be subject to corporation tax in the normal manner.

Gains on investments in shares, bonds and securities will not normally be subject to tax in France by virtue of the United Kingdom/France double tax treaty.

Under the United Kingdom/France double tax treaty, when the Company receives a dividend from a French resident company in which it controls less than 10 per cent. of the voting power, it will be entitled to receive a tax credit ("avoir fiscal") in cash from the French Treasury. The tax credit is currently 50 per cent. of the dividend. Both the dividend and the tax credit are subject to a French withholding tax of 15 per cent., which will be set off against the Company's United Kingdom corporation tax liability on the gross income from the same source.

When the Company receives a dividend from a French resident company in which it controls 10 per cent. or more of the voting power, it will not be entitled to the "avoir fiscal" but the dividend will be subject to a reduced rate of withholding tax of 5 per cent.. The dividend paid by the French company will be grossed up by the amount of the French tax borne on the profits out of which the dividend has been paid ("underlying tax"). United Kingdom corporation tax will be charged on the grossed up dividend but both the withholding tax and the underlying tax will be set off against the corporation tax liability.

Under the United Kingdom/France double tax treaty, when the Company receives interest from France that interest will be subject to a withholding tax of 10 per cent. (12 per cent. for certain debt securities issued before 1st January 1965) which will be set off against the Company's United Kingdom corporation tax liability on the same income. Bank interest on deposits, interest on all bonds issued by French public authorities after 1st October, 1984 and interest on certain bonds denominated in currencies other than French Francs and issued by certain French companies, governmental bodies and government-owned companies are exempt from the withholding tax.

Shareholders

Under current United Kingdom taxation legislation, no tax will be withheld on the payment of a dividend by the Company, but the Company has to account to the Inland Revenue for an amount of advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and is currently 29/71sts of the dividend paid. The ACT paid by the Company can be set off against its own corporation tax liability after deduction of double tax relief.

For individual shareholders resident in the United Kingdom a tax credit equivalent to the ACT paid by the Company is available to be set off against their total income tax liability and, in appropriate cases, may be repaid. A United Kingdom resident corporate shareholder will not generally be liable to United Kingdom corporation tax on such dividends received and will be able to set off the amount of ACT applicable to the dividend received against its own liability to account for ACT on its own dividends paid.

Shareholders in the Company who are resident in countries outside the United Kingdom may in some cases be entitled to payment from the Board of Inland Revenue of part of the tax credit in respect of dividends on their shares, normally subject to withholding tax, depending on the provisions of any double tax treaty which exists between such countries and the United Kingdom. Persons who are not resident in the United Kingdom should consult their own tax advisers as to whether they are entitled to reclaim any part of the tax credit, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are resident.

Shareholders in the Company may, depending on their personal circumstances and the availability of reliefs, be liable to United Kingdom taxation on chargeable gains arising from the disposal of their shares in the Company or on a winding-up of the Company.

Investors should consult their own tax advisers in relation to the tax consequences of the subscription for, acquisition of, holding of, and disposal of Ordinary Shares.

PART II
General Information

1. Incorporation and Share Capital

(a) The Company was incorporated and registered in England and Wales on 26th September, 1986 under the name "Ballotdeed Public Limited Company" with number 2059179 as a public limited company under the Companies Act 1985 and with an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each, of which two were issued nil paid to the subscribers to the Memorandum of Association.

(b) On 19th December, 1986, the Company changed its name to "Paribas French Investment Trust PLC".

(c) On 11th December, 1986, a Special Resolution was passed whereby each ordinary share of £1 in the Company, whether issued or unissued, was subdivided into four Ordinary Shares of 25p each. On that date the subscribers to the Memorandum of Association transferred eight Ordinary Shares of 25p each, four to Quilter Goodison Company Limited and four to Coastal Nominees Limited, who duly paid up such shares. Quilter Goodison Company Limited subscribed a further 199,992 Ordinary Shares of 25p each at the higher of 25p per share and the Issue Price and such Ordinary Shares were allotted and issued to Quilter Goodison Company Limited against an irrevocable undertaking whereby Quilter Goodison Company Limited undertook to pay the higher of 25p in cash and the Issue Price for each such share on 31st January, 1987 or if earlier, the date of closing of the application list.

(d) On 19th December, 1986, the Company was issued with a certificate under Section 117(1) of the Companies Act 1985 entitling it to do business and exercise its borrowing powers.

(e) On 7th January, 1987, a Special Resolution was passed whereby, *inter alia*:

(i) the authorised share capital of the Company was increased from £100,000 to £3,750,000 by the creation of 14,600,000 additional Ordinary Shares of 25p each;

(ii) the Memorandum of Association of the Company was altered and new Articles of Association were adopted;

(iii) the Directors were generally and unconditionally authorised, pursuant to Section 80(1) of the Companies Act 1985, to allot relevant securities (as defined in Section 80(2) of the Companies Act 1985) having an aggregate nominal value not exceeding £3,700,000 at any time prior to 6th January, 1992 unless previously renewed, varied or revoked by the Company in general meeting; and

(iv) the Directors were, pursuant to Section 95(1) of the Companies Act 1985, authorised to allot equity securities (within the meaning of Section 94 of that Act) pursuant to the authority referred to in sub-paragraph (iii) above as if Section 89(1) of that Act did not apply. This power expires on the date of the next Annual General Meeting of the Company.

(f) Immediately following the Issue, the authorised share capital of the Company will be £3,750,000 comprising 15,000,000 Ordinary Shares all of which will be issued.

(g) The Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to Section 266 of the Companies Act 1985.

(h) Save as disclosed above and in paragraph 5 below, no share or loan capital of the Company has been issued for cash or for a consideration other than cash and no such capital of the Company is now proposed to be issued fully or partly paid either for cash or a consideration other than cash.

(i) Save as disclosed above and in paragraph 5 below, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.

(j) No share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

(k) Save for the Issue, no material issue of shares other than to shareholders pro rata to their existing shareholdings will be made within one year of the date of this document and no issue will be made which would effectively alter the control of the Company without, in either case, prior approval of the Company in general meeting.

(l) The Ordinary Shares which are the subject of the Issue are being issued at a premium of 75p and will be in registered form. Provisional definitive certificates in respect thereof are expected to be despatched by post on 16th January, 1987 at the risk of the persons entitled thereto.

2. Rights of the Ordinary Shares

The rights attaching to the Ordinary Shares are as follows:

(a) *Voting rights*

On a show of hands, every member, who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote and, on a poll, every member present in person or by duly authorised representative as aforesaid or by proxy shall have one vote for every share held by him provided that a member shall not (unless the Directors otherwise determine) be entitled to exercise such rights to vote, *inter alia*, if he, or any person appearing to be interested in shares held by him, has been duly served with a notice under Section 212 of the Companies Act 1985 (requiring disclosure of interests in shares), has failed to supply the Company with the requisite information within 28 days after service of such notice (or such longer period as is specified in the notice), and has failed to remedy such failure within 14 days after service of a further notice requiring him so to do.

(b) *Dividends and distributions of assets on winding up*

The holders of the Ordinary Shares are entitled *pari passu* amongst themselves, but in proportion to the amount paid up or credited as paid up on the Ordinary Shares held by them, to share in the whole of the profits of the Company paid out as dividends and in the whole of any surplus in the event of a liquidation.

3. Memorandum of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of an investment trust company in all its branches and to invest the capital and other monies of the Company in the purchase or upon the security of shares, stock, debentures, debenture stock, bonds, obligations and securities issued or guaranteed by any company or other corporate body and debentures, debenture stock, bonds, obligations and securities issued or guaranteed by any government, state, sovereign, ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, whether in the United Kingdom, France or elsewhere. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 9 below.

4. Articles of Association

The Articles of Association of the Company ("the Articles") contain provisions, *inter alia*, to the following effect:—

(a) *Variation of rights and alteration of capital*

(i) The rights attached to any class of shares may be varied or abrogated (a) in such manner (if any) as may be provided by such rights or, in the absence of such provision, (b) with the consent in writing of the holders of at least three-quarters of the nominal amount of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of the issued shares of that class. Every such separate meeting shall be convened and conducted in all respects as nearly as possible in the same way as an Extraordinary General Meeting of the Company but no Member other than a director or a holder of the shares of the class in question, shall be entitled to notice thereof and/or to attend thereat and the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class present in person or by proxy.

(ii) The Company may by Ordinary Resolution increase its share capital, consolidate and divide its shares or any of them into shares of a larger amount, convert any fully paid up shares into stock of the same class and cancel any shares not taken or agreed to be taken by any person and may by Special Resolution sub-divide its shares or any of them into shares of a smaller amount.

(iii) The Company may by Special Resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner authorised by law.

(iv) Subject to the provisions of the Companies Act 1985, any shares may be issued on terms that they are or, at the option of the Company or the shareholders, are liable to be redeemed on the terms and in the manner provided for by the Articles.

(v) The Company may purchase its own shares (including any redeemable shares) provided that the Company shall not purchase its own shares if there are outstanding any convertible shares which remain capable of being converted into Ordinary Shares, unless such purchase has been sanctioned by an Extraordinary Resolution passed at a separate meeting of the holders of each class of such convertible shares.

(b) *Transfer of shares*

The instrument of transfer of a share may be in any usual form or in any other form which the directors may approve, and shall be signed by or on behalf of the transferor and, in the case of a transfer of a partly paid share, by or on behalf of the transferee and shall be accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the directors may reasonably require to prove the title of the transferor. The directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid or in respect of which the Company has a lien, or if such transfer is of more than one class of shares or in favour of more than four joint holders.

(c) *Directors*

(i) Unless otherwise determined by the Company in general meeting, the number of directors shall not be less than two and not more than ten.

(ii) The directors shall not be required to hold any qualification shares.

(iii) The directors shall be paid by way of fees for their services as directors an aggregate annual sum not exceeding £20,000 together with such additional fees (if any) as may be determined from time to time by the Company in general meeting and such fees and additional fees shall be divided between the directors as they may agree or, failing agreement, equally. The directors shall be entitled to be paid all reasonable expenses incurred by them in or about the performance of their duties as directors.

(iv) A director may be a director or other officer, servant or member of any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received or receivable thereby from such other company, provided that any such arrangement is first approved by a resolution of the other directors.

(v) A director may enter into or be directly or indirectly interested in any contract, arrangement, transaction or proposal with the Company and may hold any office or place of profit under the Company in conjunction with the office of director (except that of Auditor) and may act in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the directors may arrange.

(vi) Save as otherwise provided in the Articles, a director shall not vote or be counted in the quorum present on any resolution in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company). This prohibition does not apply, *inter alia*, to:

(A) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(B) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the director has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(C) any proposal concerning an offer of shares or debentures or other securities of the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in underwriting or sub-underwriting thereof;

(D) any contract, arrangement, transaction or other proposal concerning any other company in which he is directly or indirectly interested whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in one per cent. or more of any class of equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant company;

(E) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which either relates to both employees and directors or has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes and does not accord to any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; and

(F) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for enabling employees (including full time executive directors) of the Company and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the director benefits in a similar manner to employees.

(vii) The Company may by Ordinary Resolution suspend or relax the provisions described in sub-paragraph (vi) above to any extent or ratify any transaction not duly authorised by reason of a contravention thereof.

(viii) A director shall be capable of being appointed or re-elected a director despite having attained the age of 70 and shall not be required to retire by reason of having attained that age.

(d) *Borrowing powers*

(i) The directors may exercise all powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital or any part thereof and, subject to the provisions of the Companies Act 1985, to issue debentures and other securities.

(ii) The aggregate nominal or principal amount together with any fixed or minimum premium payable on final repayment of all moneys borrowed (as such expression is defined in the Articles) by the Group (as defined in the Articles) and owing to persons outside the Group shall not, without the previous sanction of an Ordinary Resolution of the Company, exceed an amount equal to the adjusted share capital and reserves of the Group (calculated in accordance with the provisions of the Articles).

(e) *Unclaimed dividends*

All dividends, interest or other sums payable unclaimed for one year after having been declared may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. All dividends unclaimed after a period of twelve years from the date of their declaration shall be forfeited and revert to the Company.

(f) *Untraced shareholders*

The Company may sell any shares or stock of a member or person entitled on death or bankruptcy of a member if such person or member has not cashed warrants or cheques sent by the Company over a period of twelve years and the Company has, within a further period of three months after giving notice in certain newspapers and after giving notice to the Quotations Department of The Stock Exchange, received no communication from the member or other person. The Company shall be obliged to account to the person entitled thereto for the proceeds of sale.

(g) *Capital reserve*

Any surplus over the book value of any capital asset arising upon the sale or realisation of such capital asset and any accretions to capital assets (including the writing up of book values) shall be credited to a capital reserve or applied for some capital purpose and shall not be available for dividend. Any taxation arising in consequence of the disposal of any capital asset and any deficit below book value resulting on the disposal of any capital asset may be debited in whole or in part against such capital reserve. Upon the recommendation of the directors, the Company may resolve in General Meeting to capitalise all or part of any amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account which is not available for distribution by applying such sum in the paying up in full of unissued shares to be allotted as fully paid shares by way of capitalisation to the members or any class of members who would have been entitled to that sum if it were distributed by way of dividend, and in the same proportions, and the directors shall give effect to such resolution.

(h) *Duration of the Company*

At the Annual General Meeting of the Company in 1997 and at each following Annual General Meeting of the Company (if any) the directors shall procure that a Special Resolution is proposed to extend the duration of the Company until the next following Annual General Meeting. Unless such Special Resolution is passed the directors shall convene an Extraordinary General Meeting of the Company to be held within two months after the Annual General Meeting of the Company in 1997 or, as the case may be, within two months after the Annual General Meeting in any following year, and shall procure that an Ordinary Resolution is proposed thereat requiring the Company to be wound up voluntarily. The shares, the votes in respect of which shall have been cast in favour of any such Ordinary Resolution, shall on a show of hands and/or a poll carry such number of votes as represents in aggregate not less than 51 per cent. of the votes cast on any such Ordinary Resolution.

5. Subscription and Placing Agreement

By an agreement ("the Placing Agreement") dated 8th January, 1987 and made between the Company (1), the Directors (2), Quilter & Co Limited (3), Banque Paribas Capital Markets Limited (4), Quilter Goodison Company Limited (5) and Banque Paribas (6) conditionally upon, *inter alia*, Admission occurring not later than 19th January, 1987 Quilter & Co Limited agreed:—

(a) as the agent of the Company, to procure subscribers for 11,050,000 of the new Ordinary Shares comprised in the Issue at the Issue Price;

(b) as the agent of the Company, to offer for subscription by the public 3,750,000 of the new Ordinary Shares comprised in the Issue at the Issue Price and, to the extent that valid applications in respect thereof are not received by 14th January, 1987, to procure subscribers for such shares at the Issue Price; and

(c) as agent of Quilter Goodison Company Limited, to procure purchasers for the 200,000 Ordinary Shares being sold by Quilter Goodison Company Limited as part of the Issue at the Issue Price.

In the event of and conditionally upon Quilter & Co Limited failing to procure subscribers and/or purchasers for all the Ordinary Shares comprised in the Issue, Banque Paribas Capital Markets Limited has agreed as principal itself to subscribe or purchase at the Issue Price such Ordinary Shares for which subscribers and/or purchasers have not been procured as aforesaid.

Under the Placing Agreement, the Company has agreed to pay to Quilter & Co Limited and Banque Paribas Capital Markets Limited jointly an aggregate commission of three-quarters of one per cent. on £15,000,000 (plus VAT). In addition, Banque Paribas will receive a fee of £75,000 (plus VAT (if any) thereon) in respect of its services in connection with the preparation of this document. The Company has also agreed to pay all costs and expenses of and incidental to the Issue and the application to the Council of The Stock Exchange for admission to the Official List of The Stock Exchange of the Ordinary Shares, issued and now being issued, capital duty, commitment commissions, all printing, advertising and distribution expenses and all legal and accountancy expenses of the Company, Quilter & Co Limited and Banque Paribas Capital Markets Limited.

The Company will pay the stamp duty and/or stamp duty reserve tax (if any) payable on the transfer by Quilter Goodison Company Limited and its nominee of any of the 200,000 Ordinary Shares being sold by them pursuant to the Issue.

The Placing Agreement contains certain warranties and indemnities given by the Company and the Directors in favour of Quilter & Co Limited and Banque Paribas Capital Markets Limited and provides for termination in certain limited events.

6. Directors and Other Interests

(a) The Directors intend to apply for an aggregate of 7,500 Ordinary Shares comprised in the Issue and such applications will be satisfied in full. Accordingly immediately following completion of the Issue, the Directors and their immediate families will have the following interests in the ordinary share capital of the Company, all of which will be beneficial:

Name	*No. of Ordinary Shares*
Sir Nicholas Goodison	4,000
Richard Downard	1,000
Joseph Lafont	1,000
Alain Leclair	1,000
Timothy Philpot	500

(b) Apart from Quilter Goodison Company Limited, at the date hereof the Directors are not aware of any person who is, directly or indirectly, interested in 5 per cent. or more of the Ordinary Shares nor of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

(c) Alain Leclair is a director of the Manager and to that extent is interested in the agreement summarised in paragraph 7(b) below. He is also a director and shareholder of PAM which is or may be a promoter of the Company.

(d) Sir Nicholas Goodison is chairman of Quilter & Co Limited and a director of Banque Paribas Capital Markets Limited. Quilter & Co Limited and Banque Paribas Capital Markets Limited will be receiving commissions under the terms of the Placing Agreement summarised in paragraph 5 above and Quilter & Co Limited is or may be a promoter of the Company.

(e) Save as disclosed in paragraphs 6(c) and (d), no Director has or has had any interest in any transaction which is or was of an unusual nature, contains unusual terms or which is significant to the business of the Company.

(f) Save as disclosed in paragraphs 6(c) and (d), no Director has any interest, direct or indirect, in the promotion of the Company or in any other assets which have been or are proposed to be acquired or disposed of by or leased to the Company.

(g) There are no outstanding loans granted by the Company to any of the Directors nor any guarantees provided by the Company for their benefit.

(h) There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

(i) There are no existing or proposed service agreements for Directors.

(j) It is estimated that the aggregate remuneration and benefits in kind which are to be paid or granted to the Directors during the period ending 31st December, 1987 will not exceed £10,000. No fees will be payable to Sir Nicholas Goodison and Alain Leclair in their capacity as directors of the Company.

(k) Save as disclosed above, there is no arrangement under which a Director has agreed to waive future emoluments.

7. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are or may be material:

(a) The Placing Agreement referred to in paragraph 5 above.

(b) An agreement dated 8th January, 1987 ("the Investment Management Agreement") between the Company (1), the Manager (2) and Quilter Goodison Company Limited (3) whereby, conditionally upon the Placing Agreement becoming unconditional in all respects in accordance with its terms, the Company has appointed the Manager, as agent for Quilter Goodison Company Limited until the provisions of Chapter II of Part I of the Financial Services Act 1986 ("the 1986 Act") come into force, and thereafter as principal to manage and advise as to the investment and reinvestment of the assets of the Company with a view to implementing the investment objectives set out in this document and in accordance with the investment policy of the Company as determined by the Directors. Under the Investment Management Agreement, the Company has agreed to pay the Manager a management fee, payable in French Francs within 28 days after the last business day of June and December in each year, of one half of one per cent. of the Average Market Value of Assets under Management (as therein defined) on each of such last business days, calculated in accordance with the Investment Management Agreement (plus VAT), out of which the Manager will pay its own expenses. The Company undertakes to indemnify the Manager in the performance of its duties under the Agreement, except in respect of liabilities arising from the Manager's wilful default, negligent act or omission or wilful breach of duty. The Investment Management Agreement is for a fixed term of five years but the Manager is entitled to resign its appointment at any time if the Company commits any material breach of its obligations and, if such breach shall be capable of remedy, fails to remedy such breach within 30 days of receipt of notice served by the Manager requiring it to make good such breach. The appointment of the Manager is terminable by the Company if the Manager commits any material breach of its obligations and, if such breach shall be capable of remedy, fails to remedy such breach within 30 days of receipt of notice by the Manager requiring it to make good such breach. The appointment of the Manager is also terminable by the Company at any time, *inter alia*, (i) if the Manager fails to obtain membership of an appropriate self-regulating organisation for the purposes of the 1986 Act by the date when the provisions of Chapter II of Part I of the 1986 Act come into force, or (ii) by the Company giving at least three months' notice expiring on or at any time after 8th July, 1987.

8. General

(a) The Company has not commenced business and has no subsidiaries.

(b) The Company does not have, nor has it had since its incorporation, any employees.

(c) Quilter & Co Limited, Quilter Goodison Company Limited, PAM and Banque Paribas are or may be the founders and promoters of the Company. PAM will receive fees from the Manager under an investment advisory agreement made between PAM and the Manager. Banque Paribas will receive fees from the Manager under the Custodian Agreement made between the Manager and Banque Paribas. Save as disclosed in this paragraph and paragraphs 1 and 5 above, no cash, securities or benefits have been paid, issued or given to such promoters and none are intended to be paid, issued or given.

(d) The Company is not engaged in any litigation or arbitration proceedings, and no litigation, arbitration or claim is known to the Directors to be pending or threatened against the Company.

(e) The expenses of the Issue and application for listing, including capital duty, stamp duty, professional fees, printing and advertising costs and fees and commissions are payable by the Company and are expected to amount to approximately £500,000 (excluding value added tax). Of this, the total remuneration of Quilter & Co Limited and Banque Paribas Capital Markets Limited and Banque Paribas is estimated to be in aggregate £187,500 (excluding value added tax).

(f) Touche Ross & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion of their report and with the references thereto and to their name in the form and context in which they appear.

(g) Quilter & Co Limited has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which it appears.

(h) The Directors consider that, having regard to the net proceeds of the Issue, the Company will have sufficient working capital for its present requirements.

(i) Arrangements have been made for registration of the Ordinary Shares comprised in the Issue free of registration fees in the names of successful applicants or placees.

9. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Clifford-Turner, Blackfriars House, 19 New Bridge Street, London EC4V 6BY during usual business hours on any week day (Saturdays excluded) for a period of 14 days following the date of publication of this document:

(a) the Memorandum and Articles of Association of the Company,

(b) the Accountants' Report set out in Part I above,

(c) the contracts specified under "Material Contracts" in paragraph 7 above; and

(d) the written consents referred to in paragraphs 8 (f) and 8 (g) above.

Dated 8th January, 1987

Terms and Conditions of Application for the Public Offer

1. The contract created by the acceptance of applications in the manner herein set out will be conditional upon the Placing Agreement becoming unconditional and not being terminated in accordance with its terms and upon the Council of The Stock Exchange admitting the whole of the ordinary share capital of Paribas French Investment Trust PLC, issued and now being issued, to the Official List, and such admission becoming effective in accordance with the Rules of The Stock Exchange not later than 19th January, 1987. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Ordinary Shares than the number applied for, the application moneys or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime application moneys will be retained by W. H. Stentiford & Co. in a separate account.

2. Quilter & Co Limited reserves the right to present all cheques and banker's drafts for payment on receipt, to retain provisional definitive certificates and surplus application moneys pending clearance of the successful applicants' cheques and to reject any application in whole or in part.

3. By completing and delivering an Application Form you (as the applicant(s)):

(i) offer to subscribe the number of Ordinary Shares specified in your Application Form (or any smaller number for which the application is accepted) at the Issue Price subject to the Listing Particulars relating to the Company dated 8th January, 1987 ("the Listing Particulars"), these terms and conditions and the Memorandum and Articles of Association of the Company;

(ii) authorise W. H. Stentiford & Co. to send a fully paid provisional definitive certificate for the number of Ordinary Shares for which your application is accepted, and/or a crossed cheque for any moneys returnable, by post to your address (or that of the first-named applicant) as set out in your Application Form and to procure that your name (together with the name(s) of any joint applicant(s)) is/are placed on the register of members of the Company in respect of such Ordinary Shares;

(iii) agree, in consideration of Quilter & Co Limited agreeing to be bound by the terms of the Placing Agreement, that your application may not be revoked until after 19th January, 1987 and that this paragraph constitutes a collateral contract between you and Quilter & Co Limited which will become binding upon despatch by post or delivery of your Application Form duly completed to W. H. Stentiford & Co.;

(iv) warrant that your remittance will be honoured on first presentation;

(v) agree that any provisional definitive certificate and any moneys returnable to you may be retained pending clearance of your remittance;

(vi) agree that all applications, acceptances of applications and contracts resulting therefrom will be governed by and construed in accordance with English law;

(vii) warrant that, if you sign the Application Form on behalf of somebody else, or on behalf of a corporation, you have due authority to do so; and

(viii) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in the Listing Particulars and you accordingly agree that no person responsible solely or jointly for the Listing Particulars or any part thereof will have any liability for any such other information or representation.

4. No person receiving a copy of the Listing Particulars or the Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including the obtaining of any requisite governmental or other consents and observing any other formalities needing to be observed in such territory, and paying any issue, transfer or other taxes required to be paid in such territory.

5. Acceptance of applications will be effected by notification of the basis of allocation to The Stock Exchange as soon as possible after the application list closes.

6. All documents and cheques sent by post will be at the risk of the person(s) entitled thereto.

7. Save where the context requires otherwise, terms defined in the Listing Particulars bear the same meaning when used in these terms and conditions and in the Application Form and terms defined herein bear the same meaning in the Application Form.

Copies of the Listing Particulars can be obtained up to and including 23rd January, 1987 from:

Banque Paribas, 68 Lombard Street, London EC3V 9EH	Quilter & Co Limited, 33 Wigmore Street, London W1H 0BN.

Procedure for Application

If you wish to apply for Ordinary Shares in the Public Offer:

1 **Insert in Box 1 (in figures) the number of Ordinary Shares for which you are applying. Applications must be for a minimum of 500 Ordinary Shares or in one of the following multiples:**

for more than 500 shares, but not more than 1,000 shares, in a multiple of 100 shares

for more than 1,000 shares, but not more than 10,000 shares, in a multiple of 500 shares

for more than 10,000 shares, in a multiple of 1,000 shares.

2 **Insert in Box 2 (in figures) the amount of your cheque or banker's draft.**

3 **Sign and date the Application Form in Box 3.**
The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised to do so but the power(s) of attorney or form(s) of authority (or a duly certified copy thereof) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.

4 **Insert your full name and address in BLOCK CAPITALS in Box 4.**

5 **You must pin a single cheque or banker's draft to your completed Application Form. Your cheque or banker's draft must be made payable to "W. H. Stentiford & Co." for the amount inserted in Box 2 and should be crossed "Not Negotiable—Paribas French Investment Trust PLC".**
No receipt will be issued for this payment, which must be solely for this application.
Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right-hand corner.
Applications may be accompanied by a cheque drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person named in Box 4.
A separate cheque or banker's draft must accompany each application.
An application will not be considered unless these conditions are fulfilled.

6 **You may apply jointly with up to three other persons.**
You must then arrange for the Application Form to be completed by or on behalf of each joint applicant. Their full names and addresses should be inserted in BLOCK CAPITALS in Box 6.

7 **Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 4 and sign in Box 3).**
If any one is signing on behalf of any joint applicant(s), the power(s) of attorney or form(s) of authority (or a duly certified copy thereof) must be enclosed for inspection.

★ **You must send the completed Application Form by post, or deliver it by hand, to W. H. Stentiford & Co., 1 Love Lane, London EC2V 7JJ so as to be received not later than 10.00 a.m. on 14th January, 1987.**
If you post your Application Form you are recommended to use first class post and allow at least two days for delivery.

Basis of Acceptance and Dealing Arrangements

The application list will open at 10.00 a.m. on 14th January, 1987 and will close as soon thereafter as Quilter & Co Limited may determine. The basis on which the applications have been accepted will be announced as soon as possible after the application list closes. Acceptance of applications will be effected by notification of the basis of allocation to The Stock Exchange to take place as soon as possible after the application list closes. It is expected that provisional definitive certificates will be posted to successful applicants on 16th January, 1987. The share certificates will cease to be provisional once the ordinary share capital of the Company, issued and now being issued, has been admitted to the Official List and such admission has become effective, which is expected to occur on 19th January, 1987. Dealings in the Ordinary Shares are expected to commence on 19th January, 1987. The Ordinary Shares may only be transferred by an instrument of transfer subject to stamp duty.

Paribas French Investment Trust PLC
Application Form

Offer for subscription of 3,750,000 Ordinary Shares of 25p each at 100p per share, payable in full on application

To: Paribas French Investment Trust PLC

I/We offer to subscribe

[ ] 1

Ordinary Shares in Paribas French Investment Trust PLC (or any smaller number of shares for which this application is accepted) at 100p per share on the terms and subject to the conditions attached to the Listing Particulars dated 8th January, 1987 and subject to the Memorandum and Articles of Association of Paribas French Investment Trust PLC.

and I/we attach a cheque or banker's draft for the amount payable, namely £ 2

Dated January 1987	Signature	3

FOR OFFICIAL USE ONLY
1. Acceptance number
2. Shares allotted
3. Amount received £
4. Amount payable £
5. Amount returned £
6. Cheque number

PLEASE USE BLOCK CAPITALS

Mr., Mrs., Miss or title	Forename(s) in full
Surname	
Address in full	
	Postcode

4

→ Pin here your cheque/banker's draft for the amount shown in Box 2 5

Fill in this section only where there is more than one applicant. The first or sole applicant should complete Box 4 and sign in Box 3. Insert in Box 6 the names and addresses of the second and subsequent applicants, each of whose signatures is required in Box 7.

6

PLEASE USE BLOCK CAPITALS

Mr., Mrs., Miss or title Forename(s)	Mr., Mrs., Miss or title Forename(s)	Mr., Mrs., Miss or title Forename(s)
Surname	Surname	Surname
Address	Address	Address
Postcode	Postcode	Postcode

7

Signature	Signature	Signature

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

"LIKE THE rest of the industry, we had been in the habit of referring in rather twee terms to 'surpluses transferred to reserves' rather than profits. So we started talking to managers about developing a profitable business. It was blindingly obvious to me that what we needed was a major shift in culture."

Terry Murphy, general manager, personnel, of the Abbey National Building Society, Britain's second largest, reflects in these remarks the fundamental changes that are taking place in Britain's building society movement as it faces up to the increasing competition presented by other financial institutions and by the opportunities inherent in new legislation that gives it the freedom to operate in new areas.

For Abbey National the turning point came in 1984. And the society is now one of the least coy in talking about its internal cultural reorientation.

The need for cultural change among Britain's building societies was signalled by increased competition from other financial institutions at the end of the 1970s. Foreign and domestic banks began offering mortgages, and deregulation allowed them to opt for lateral and vertical integration.

The upshot: a general squeeze on margins which caused societies to pay greater attention to the generation of surpluses which could finance growth in the volume of business, and, at the same time, maintain and boost capital adequacy.

The initiative to effect internal cultural change rests with individual management teams of Britain's 153 registered societies.

For competition between them — especially the big hitters — is set to intensify in the wake of deregulation. Workforce motivation and response to change will have a key impact on the success of each society.

Abbey has used the twin prongs of a "rolling" management development system — supported by a formal manager training programme to achieve the desired change — adopting a tier by tier "top down" approach.

Peter Birch, the society's chief executive, followed by general managers and assistant general managers have been on an intensive course run by Management Centre Europe. These grades of manager run the society, under the direction of the board.

Abbey has set up its own in-house course, on similar lines for senior and area managers. Branch managers are next in line. The courses focus on nurturing an increased awareness of the society's business objectives.

Central to Abbey's thinking is the belief that personnel policies must flow from the business strategy.

Two radical initiatives on pay flesh out the theory. From March, all full-time and part-time employees who have been on the payroll for a year will get an annual profit share cash bonus, based on the society's performance during the previous year.

But it is Abbey's new performance-related pay system—agreed with its in-house staff association late last year—that is causing most ripples throughout the movement.

The new system, due to take effect next month, makes a clear link between performance and reward, and ditches the tradition of flat-rate, across-the-board increases for all staff.

All staff are being appraised against previously agreed personal objectives—and future pay rises will be geared directly to their contribution to the business.

A rate will be fixed for "effective" performers. Those deemed by local managers to be "outstanding" will get double this rate—those judged "unacceptable" will get no rise at all.

The system is a marked departure from pay bargaining norms in British industry; set against the traditionally insular climate of the building society movement it is a monumental shift.

Staff voted decisively to endorse the scheme after the leadership of the Abbey National Staff Association put it out to ballot with a firm recommendation for acceptance.

It will be reviewed after a year, and Ansa believes it has won significant safeguards against potential abuse. All staff have the automatic right of appeal against their appraisal.

Changes within the society have prompted a shift in the attitude of Ansa, according to Bill Reid, the association's chairman. "We recognise that Abbey has probably the most business-oriented management. We want to be pro-active rather than reactive as a staff association, and have been involved in the design of the new pay system."

Abbey's trailblazing initiatives on new forms of remuneration will be closely monitored by rival societies — and their staff associations. The Woolwich is to begin discussions with its in-house staff association on exploring the ground for a profit-sharing bonus scheme in the new year.

The smaller Portman Building Society introduced a profit share element to its long standing productivity bonus scheme last year.

Michael Parkinson, the society's general manager, believes that giving employees a direct stake in how well the business does will sharpen motivation post-deregulation.

He maintains that the new profit consciousness is not just confined to societies in the top league. "People are beginning to realise that working for a building society is not necessarily a job for life," says Parkinson. "The link has been made that if we are not successful, they may well be out of a job."

The Halifax, Britain's biggest building society, has mapped out the cultural change it is seeking to effect in an appendix to its Business Planning System (see illustration).

It has set in train a full scale review of its existing pay and grading structure, bringing in outside management consultants. Malcolm Wykes, the society's assistant manager, personnel, predicted that the structure could look "radically different" by this time next year.

"We are starting off with a fairly clean sheet of paper, and will start with job evaluation and move outwards. We are keeping an open mind."

The new system, to be negotiated with the Halifax Building Society Staff Association, is due to come on stream in the early autumn. Meanwhile, the society is recruiting specialist staff for the new areas it plans to expand or move into, such as insurance, personal loans and housing development.

This buying in of outside expertise is likely to put strains on existing salary structures within societies. While staff associations have generally welcomed the thrust towards diversification ushered in by the Act, they are concerned that existing employees get an equitable share of new job opportunities and promotion prospects. Though comparisons are difficult to make the median salary for a cashier in a medium sized branch is £5,200 and for a manager, £11,400.

The pre-eminence of staff associations is unique to the building society sector, which *had no formal employee representation before 1970.*

The Building Societies Association encouraged members to set up staff consultative committees early in the decade. The 1974 Trade Union and Labour Relations Act gave a further stimulus to the spread of formal collective bargaining machinery. Many societies tacitly encouraged the setting up of in-house staff associations believing them to be preferable to TUC-affiliated unions.

There are now 20 associations listed with the Government's certification office, all of which are registered as independent trade unions. They represent two thirds of the industry's 66,000 headcount.

All major societies, except the Leeds Permanent (where employees are currently trying to secure recognition), recognise in-house staff associations. All associations, except the HBSSA, hire consultants to augment the negotiating expertise of their own elected officials.

The Federation of Building Society Staff Associations exists as an information exchange and lobbying organisation in the absence of industry-wide pay bargaining.

The most effective associations have attempted to push back the frontiers of management prerogative; some are already pressing managements to extend their sole collective bargaining rights to new subsidiaries. The HBSSA has framed a "part-timers' charter," aimed at securing, for a growing proportion of its membership, job security pledges and inclusion in the society's pension scheme.

The proportion of employees who join associations is often in excess of 75 per cent — a take-up rate which is the envy of TUC-affiliated white collar unions.

A new study,* due to be published soon, predicts that deregulation will claim 1,500 jobs. But continued business growth will overwhelm this loss. By 1990, it predicts a net addition of around 6,500 to the industry's headcount, equivalent to an annual growth of 2 per cent. Over half the new jobs are expected to accrue to part-time employees, who already account for more than 19 per cent of the workforce.

Employment growth has decelerated since 1979, against the backdrop of a consistently buoyant market.

The study argues that building societies provide "an outstanding case study example of why the private service sector can no longer be regarded as the deus ex machina of new jobs."

A fall in employment growth, increased competition and increased merger activity will bring the need for effective employee representation to the fore. The signs are that change in the societies' internal culture is to some extent being mirrored by an increasing professionalisation of at least some staff associations.

The challenge facing societies is twofold: to bring in a wider range of more complex products without damaging their "benign" public image and to motivate staff to embrace the new business-oriented environment.

The challenge facing in-house staff associations is to protect the best interests of their members as the old style culture is transformed by competitive pressures.

If they fail, the TUC white collar unions are waiting in the wings to move in.

**Services—the second industrial revolution? Business and jobs outlook for UK growth industries by Amin Rajan. To be published by Butterworths. £27.50.*

UK building societies

Facing up to a cultural challenge

Freedom to expand financial services has its own cost for traditional mortgage suppliers. Helen Hague reports

BRITAIN'S building society movement is entering uncharted waters. For most of its 140 years the movement has enjoyed the cosy traditions of mutual ownership of societies by borrowers and savers. A cartel has protected it from many of the harsh competitive realities faced by banking and other financial institutions.

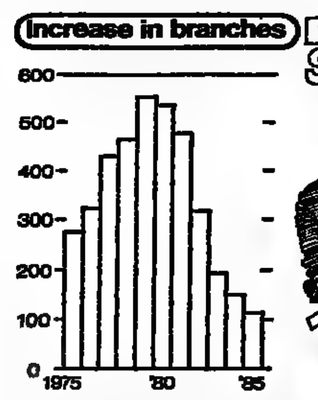
But British and foreign banks have for some years been aggressively seeking savings and house mortgage business. And now that the key provisions of the Building Societies Act 1986 have come into effect from January 1 societies are allowed to adopt a range of new powers. The legislation is the latest step to break down barriers between financial institutions and increase both competition and consumer choice.

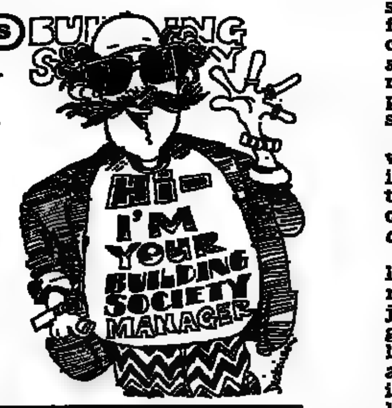
During the early 1970s, tight legislative controls and lack of competition fostered the growth of a culture characterised by a benevolent paternalism towards both staff and customers coupled with centralised decision making.

The industry appeared to be self-contained—sustained by an insatiable demand for mortgages. Employees were relatively well paid, and enjoyed significant fringe benefits such as cut price mortgages and the prospect of life-time employment.

But external signs of change are now apparent in the High Street as societies attempt to woo customers to sample their new wares—from shares to unsecured loans, from credit cards to overdrafts, from pensions to insurance.

As competition intensifies and financial consumer markets polarise and fragment, the traditions of building societies' internal culture will come under increasing pressure.





CHANGING CULTURE AT THE HALIFAX

ASPECTS OF MANAGEMENT	"OLD" CULTURE (APPROPRIATE FOR STABLE, CONTROLLED ENVIRONMENT)	"NEW" CULTURE (APPROPRIATE FOR DYNAMIC, COMPETITIVE ENVIRONMENT)
1. Objectives	Social	Commercial
2. Key tasks	Administration	Business development
3. Promotion and power	Seniority, general skills and experience	Expertise, specialisation and training—More external recruitment
4. Structure	Centralised and bureaucratic	Decentralised and flexible
5. Planning	Short-term based on tradition	Long-term based on research
6. Decision making	Rules and regulations	Greater personal initiative
7. Relationships	Status and individual roles	Job content and teamwork
8. Appraisal systems	Based on effort, loyalty and criticism of mistakes	Based on performance, results and praise
9. Staff attitudes	Loyal and proud of the society	Hopefully the same
10. Employment	Secure, well paid, successful and caring	Striving for achievement to ensure success, while still caring

Business courses

The application of research to broadcasting decisons, Amsterdam. January 28-30. Fee: GEAR / ESOMAR members SwFr980; non-members SwFr1,1,170. Details from ESOMAR Central Secretaria, J J Viottastraa 29, 1071 JP Amsterdam, The Netherlands. Tel: 64.21.41. Telex: 18535 ESMAR NL.

Purchasing management, London February 12-13. Fee: £460 (£483 for registrations received less than 14 days before the course date). Details from Miss J K Van Wycks, Seminar Divison, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G/Ref 1202.

Getting your ads and booklets to work: Copy for marketing managers, Berks. March 1-4. Fee: £395 + VAT for members of IM: £465 + VAT for non-members. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks S16 9QH. Tel: 06285 24922 ext. 29.

Telework — present situation and future development of a new form of work organisation, Bonn. March 18-20. Fee: DM 550. Details from Werner B Korte (programme) and Marie Grünhage (organisation). empirica GmbH — Kaiserstrasse 29-31—D-5300 Bonn 1. Tel: (0228) 21 00 79/70.

Planning a marketing campaign, London, February 20. Fee: £110 + VAT for members of IM, £130 + VAT for non-members. Details from IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922 Ext 29.

Product management, Brussels, February 9-13. Fee: Non-members BFr 82,700, members (AMA/1) BFr 74,400. Telephone: 32/2/516.19.11; Telex: 21917 MCE B.

Managing foreign exchange exposure, London, March 4-5. Fee: £400 + £60 VAT (£420 + £63 after February 18). Details from: Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G (Ref. 1202).

Staff assessment: a grounding in the new techniques, College of Marketing, Moor Hall, Cookham. February 22-25. Fee: £395 + VAT for members of I.M., £465 + VAT for non-members. For details: IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922 Ext 29.

TECHNOLOGY

How to build up to big cost savings

Jane Rippeteau reports on a small Scottish company which has hit on a novel form of software control

ROBIN WALKER, the young chairman of a small computer software company at the West of Scotland Science Park, was lying on the lawn behind his office one day last August when he had an inspiration.

Eight years previously, the civil engineer had left his job with an engineering firm and set up his own business with several colleagues. They wanted to solve a problem they had all faced: an inadequacy of software for designing bridges, buildings, roads and other major projects.

Today, with just four directors and three other staff members, the little firm called Modray Engineering Technology turns out a steady trade in such software, which they write themselves. The product, according to one user, "is fine, good at routine problems, but nothing to get excited about."

Now there may be something to get excited about.

The idea Walker had that August day was a way to make his company's software—or anybody else's—far cheaper for certain users who need specialised programs but only sporadically.

A medium-sized engineering firm, for instance, might need software for designing a road one month, but not again for a year or so, as a bridge, a building or yet other work requiring different software crops up, Walker explains.

"It's a brilliant idea," says Marek Glowinski, a structural engineer with the engineering consultancy, Maurice Cox, in London. "It's an ideal way of having all the packages on one disc available to you without having to buy them all." He says that instead of paying several thousand pounds for a complete software package, he can use specific programs for just a few hundred pounds.

Convinced of their idea's worth, the team at Modray set about intensive development. Says Walker: "You run the normal business five days a week, then the other 12 hours a day and two days at weekend you work on development." By late November, the entrepreneurs — average age 35 except for Walker's father—had a product, sold so far to 12 buyers.

Meanwhile, Walker called a London entrepreneur, and fellow former engineer, named Anthony Pearce. Pearce, a founder of Homex, a home relocation company, had met Walker by chance through the letters column of New Civil Engineer magazine while dueling over engineers' marketing problems. Later, Pearce wrote directly to Walker. Walker called back, securing an audience with Pearce and introductions to London venture capitalists just before Christmas.

Whether Modray can get financing, and make the leap to the big-time that all start-ups covet is uncertain.

But outsiders who have seen the product are enthusiastic. There are "many applications for this unit-leased software," says Pearce. "You can use the same amount of computer power, but this makes it much cheaper. You don't have to buy the software or lease time on a mainframe."

Modray's product is a technique for controlling access to software on a disc so that it can be used only for certain periods of time. The controller comes with four discs of the company's own software. For an initial £250 charge, a customer can use any of the programs for 100 hours. When the time is up, the customer can buy additional time if desired.

Next, Walker wants to tap a potentially much larger market of licensing his controller to anyone marketing software. "They can use our controller with their own software," he says. Eventually, he hopes to develop a controller for compact disc applications, a market for very high volume data storage expected to take off over the next several years.

Derrick Grover, senior executive at the British Technology Group, and chairman of the British Computer Society's software protection group, says the Modray product is different from available systems for renting software on time because it meters the actual amount of software used, rather than merely clocking how long the software has been in a customer's possession.

The metering feature is "more beneficial because you don't have to pay if you are not using the software," he says.

Walker says the software contained in his package, if purchased outright, would cost £4,000. Notes Glowinski of Maurice Cox: "That cuts out an element of risk, the chance of landing yourself with a white elephant" if the package you buy is unsatisfactory.

Although discs can be copied, Walker says Modray has developed special tracks that do not copy and without which programs will not run. The tracks also monitor time usage, and signal to a user when more must be purchased. The discs are compatible with IBM and Apple micro computers.

Walker says the company has applied for a patent, and that the patent search turned up no similar product in the UK or US.


Kenneth Sams with his UFO Sam: The kite will fly at 2,000 feet and has sparked concern about its danger to aircraft.

Feelings run high over UFO Sam

BY MICHAEL STRUTT

THE LENGTH of a piece of string—or a kite line to be exact—has suddenly become an issue for Kenneth Sams, the American kite inventor, who touched off a row with UK authorities last week over the dangers if thousands of buyers should fly his new UFO Sam kite in the air traffic lanes.

The kite will easily fly to 2,000 feet, says Sams, and has done so during tests. This height is way above the legal UK limit of 60 metres.

In addition, for air safety reasons, kites may not be flown within 5 km of an airport.

The kite, due to go on sale next month for just under £10, will, as with most kites, be sold with only 60 metres of line. But there are worries that buyers will add more string and create a danger to aircraft.

The effect of this high-flying publicity has been to obscure what is an innovative development in kite design. UFO Sam is a spinning kite that has three patents behind it and works much better than previous designs using this principle.

One of its secrets is two flexible centre stabilisers which automatically align themselves and keep the kite steady as it spins like a gyroscope.

It goes very well in light or fresh winds, producing ample lift to gain height, so that it is easy for children to fly. It can also be flown as a manoeuvrable kite, using twin lines. In the air it looks surprising like a UFO—"or a hamburger," says Kenneth Sams.

Sams, an economics graduate of UCLA, lives in London. After retiring as an historian with the US Air Force, he made spinning kites his "full-time hobby," perfecting different designs over the last 10 years.

Despite his expertise, however, Sams says he still does not know exactly how UFO Sam works and why it flies so well. "I've spoken to a lot of aeronautical engineers and they don't know either. One said that even with his 30 years' experience, he couldn't figure it out."

Now Sams is looking for a business partner and examining how the principle can be applied elsewhere, for example rotating sails which could help to power and steer boats.

UFO Sam is being manufactured in the UK by a kitemaking company in Oxford.

Kites are legally classified as aircraft and the UK Civil Aviation Authority (CAA) operates strict control on kite-flying above 60 metres. Infringements are generally spotted by airport radar operators or pilots, and a local policeman, sent along to find the flyer.

In practice, the CAA readily issues exemption certificates to individuals or organisations applying in advance to fly at greater heights.

At the moment, says Mr Barry Tempest, of the CAA issuing office, applications come from kite festival organisers (about 20 events a year) and the Central Electricity Generating Board, which uses kites and model aircraft to sample emissions from power stations.

Issuing permits is not simply a legalistic move. After giving permission, the CAA gives aircraft operators, flying clubs and air controllers details of the high-flying kites so that pilots can give them a wide berth.

WORTH WATCHING

Edited by Geoffrey Charlish

Sales network for used IBM equipment

SECONDHAND IBM equipment can now be bought and sold in the UK, France and Belgium over a network called IBIS. This uses IBM personal computers working over the countries' packet switched data services. The service will be extended to most of Europe by the end of 1987.

IBIS stands for International Brokerage Information System and the network has been set up by Asystel, a French data processing services company which has recently established a presence in the UK. IBIS, offering direct access to buyers and sellers, substantially reduces costs, according to Asystel, by eliminating "middlemen."

Subscribers are provided with up to date information on market prices and are guaranteed the availability of goods on offer. Specialist advice on choice and configuration of equipment can be provided, and Asystel, if asked, will also supervise deals and oversee the despatch, delivery and installation of the equipment.

Prices are quoted in European currency units (Ecus) but can be automatically converted into any currency. The most comprehensive service on IBIS costs £750 a year and there is a connection charge of £75 an hour.

Asystel says it is aiming for a two per cent share of the £150m a year European market for secondhand IBM equipment.

Calculated answer to cordless printer

HEWLETT PACKARD has introduced a compact thermal strip printer which is completely cordless and works in conjunction with the company's HP-EMC calculator.

The data is sent from the calculator to the printer over an infra-red beam in the same way that domestic television sets are controlled from hand-held press-button units. The printer, designated HP 82240A, is powered from four AA alkaline cells or from an AC mains adaptor.

Using standard 2.25-inch thermal paper, the unit prints a 25 character line in just under one second. It costs £112.

Swedes get hooked on crane safety

A SAFETY crane hook which cannot jam and has manual or automatic closing is available from Gemis Mekanik of Sweden.

The hook is designed for operation in heavy industry and is particularly suited for use when loads are high up or in other situations where manual connection of hook to load is impossible.

Made from hardened steel, the hook is available in several sizes and can be attached or disconnected from bars, tubes, cables or lifting eyes of various shapes and sizes. The completely protected spring and catch allows opening and closing even under heavy load.

Automation with a human element

BROWN BOVERI KENT (BBK), the UK process control, measurement and metering subsidiary of Swiss engineering giant Brown Boveri Company, has developed an expert system that aids real-time control of large industrial process plants.

An expert system is computer software and hardware that stores the knowledge of a human expert and uses it to solve problems in much the same way as the human mind.

The new BBK system is an enhancement to the company's P4000 process control system for the automatic control of chemical, oil, gas and petrochemical plant. It simplifies the otherwise difficult interpretation of the masses of data from the thousands of process variables that are monitored and controlled in this type of plant. The expert system analyses all the data and process events and guides an operator's actions via screen or printer.

Slick solution for stricken tankers

FRENCH POLLUTION control company TR Sillinger has designed a simple oil carrying raft which can be used to take oil quickly away from stricken tankers after an accident.

Filled Pollutanks can be towed, singly or in "trains" at speeds up to 10 knots. They are made from chemical-resistant, neoprene-coated polyester fabric and are divided into compartments to reduce the effects of accidental damage to the fabric. Inflation takes about 25 minutes.

Branching into low-cost pipework

A LOW-COST method for installing probes and sensors or for making branch connections into plant pipework while it remains in operation, is offered by On Stream Systems of Cirencester, UK.

Although such systems exist in the oil and gas industries, the company claims they are too expensive for most plant and factory services. The new machine has been designed to provide safe, simple, one-man operation at pressure up to 290 lbs per square inch and temperatures as high as 110 deg C.

The company claims that installation costs are cut by 76 per cent compared with existing systems.

CONTACTS: Hewlett Packard: UK, 0734 696622. Brown Boveri Kent: UK, 0582 21151. On-Stream Systems: UK, 0285 69173. TR Sillinger: France, 1 4307 2155. AB Gemis Mekanik: Sweden, 470 67520. Asystel in London is on 785 3214, in Paris on 425 34300 and in Brussels on 217 6987.

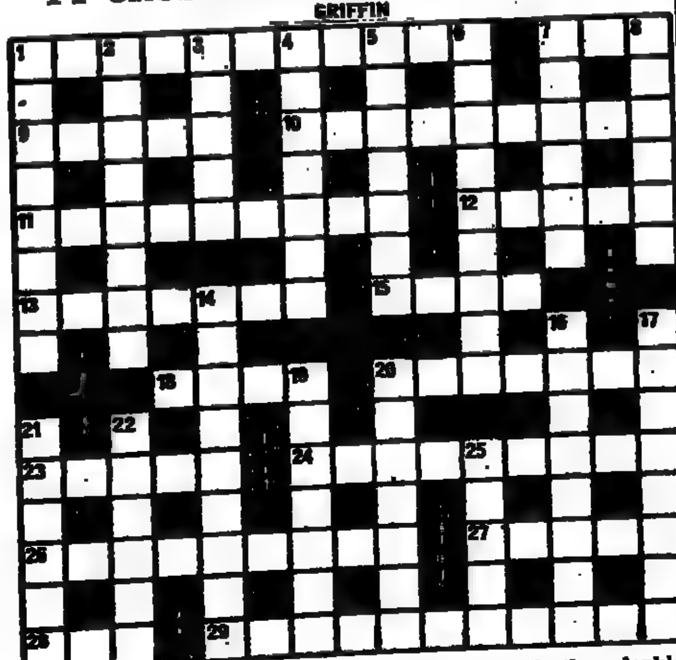
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

FT CROSSWORD PUZZLE No. 6,222

GRIFFIN



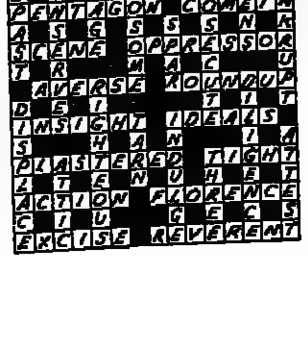
ACROSS

1 Secret meeting when gas is to be taken over by the state (11)
7 Yank that might take a hooker in tow? (3)
9 Flock back with inferior tin-opener (5)
10 Epic price change leads to precarious situation (9)
11 Former member is first to pass laws (9)
12 Very big man had to go outside to get washed (5)
13 Pray for conversion when returning gloomy monument (7)
15 After middle age, deep feeling of satisfaction (4)
18 First mountaineering expert to go round peak (4)
20 Fabulous bird recoils, having sari removed by pirate (7)
23 Samuel's teacher returns street map to girl (5)
24 Noel raved about having too much to carry (9)
26 If tired out after church, it's guaranteed (9)
27 Dirty article removed by a pawnbroker (5)
28 Some hope asparagus is a vegetable (3)
29 It gets under one's feet on a flight (11)

DOWN

1 Animal worker to run off and form union (8)
2 His growl upset a night club performer (8)
3 Shows one's amazed by the opening two points (5)
4 Pop up quietly then double back and clap (7)
5 Said "I see the new beer garden's opening" to a cold person (7)
6 A close friend? (9)
7 Craving for a new T-shirt (6)
8 Eager to see the concise edition in colour (6)
14 Chimes can involve working parts (9)
16 The new chap and I drop in, which hampers someone (8)
17 Wing patterns, perhaps (8)
19 Heath included some good books and some naughty books (7)
20 Many are informed about theologian making cheese (7)
21 Forces policeman to put Ruby on top (6)
22 Is returning with rare cooking range (6)
25 She left the scent behind (5)

Solution to Puzzle No. 6,221



AUTHORISED UNIT TRUST & INSURANCES

British National Life Assurance Co Ltd
Perrymount Road, Haywards Heath 0444 414111

Managed Fd	208.0	219.0		
Property Fd	173.4	182.5		
Equity Fd	249.5	262.6		
New Tech Fd	151.2	159.1		
American Fund	104.8	110.3		
Intl Fd	273.7	288.1		
Fixed Int. Fd	138.5	145.8		
Deposit Fd	123.0	129.5		
Managed Series 2	207.6	218.6		
Intnl Series 2	273.3	287.7		
Equity Series 2	249.1	262.3		
Managed Pens. Acc.	265.1	279.0		
Managed Pens. Cap.	206.1	216.9		
Property Pens. Acc.	206.1	217.0		
Equity Pens. Acc.	308.6	324.8		
New Tech Pens. Acc.	172.6	181.7		
Intl. Pens. Acc.	376.1	395.9		
Fixed Int. Pens. Acc.	158.5	166.8		
Savory Miln SMF Life	135.2	142.3		
Cobbold SMF Life	139.3	146.7		
Orient Fund	99.5	104.8		
European Fund	95.2	100.2		

Canada Life Group
2-6 High St, Potters Bar, Herts P. Bar 51122

Equity Gth Sept 29		1.508		
Retirement		5.361		
Individual Pension—Distribution				
Managed Pen Fund	293.7	309.2		4.9
Property Pen Fund	132.5	139.5		
Index-linked Pen Fd	125.8	132.9		
Series C Pension—Accumulation				
International Pen Fd	190.0	200.0		
Managed Pen Fd	168.2	177.1		
Property Pen Fd	126.6	133.3		
Index-linked Pen Fd	122.4	128.9		
Gilt & Fxd Int Pen Fd	143.8	151.4		
Equity Pen Fd	186.9	196.8		
Managed Funds				
Managed	179.3	188.8	+1.7	
Property	128.3	135.1		
Gilt & Fxd Interest	134.4	141.5	+0.6	
Index-linked	110.2	116.0		
Equity	197.8	208.3	+2.9	2.2
Cash	138.7	146.1		
Midland Bank Unit Tst	193.8	204.1	+1.4	
Midland Bk Managed	193.8	204.1	+1.3	
Midland Bk Internatl	226.5	238.5	+0.4	

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876
2nd Series Life Accumulation

[illegible]

Crown Financial—Contd.
Group Pension Funds(z)

American	113.5	117.6	+0.2	
Equity	411.1	426.0	+0.6	
European	268.0	277.7	−0.6	
Fixed Interest	233.7	242.1	+4.4	
International	163.4	169.3		
Investment Trust	150.7	156.1	+0.6	
Japanese	240.3	249.0	+0.1	
Mixed	389.2	403.3	+2.1	
Money	227.4	235.6	+0.2	
Property	110.2	114.1	+0.1	
Other Funds(z)				
Brown Equity	502.0	528.4	+2.7	
Crown Brit. Inv A	508.0	546.6		
DBS Managed	189.4	199.3	+3.3	
Growth Acc	212.7	223.6	+0.1	
Heritage	219.1	230.6	+0.8	
Longlife Magd (Life)	113.0	118.9	+1.5	
Longlife Managed Pens	122.5	128.9	+0.3	
PE Cornhill	252.3	265.5	+2.4	
Sage	170.8	179.7	+2.0	

Crusader Insurance Plc
Reigate, Surrey RH2 8BL 07372 42424

Measured Performance	102.5	108.0	+1.4	
Performance Plus	103.7	109.2	+1.7	
With Profit Perform	97.1	102.8	+0.1	
UK Opportunity	101.1	106.6	+2.0	
European Opportunity	111.6	118.1	+1.5	
Nth American Opp	98.7	104.2	+2.5	
Far Eastern Opp	104.1	109.6	+1.2	
Cwth Prp Ser 1 Jan 7	141.8	151.0		
Cwth Prp Ser 2	97.0	102.5		
Fixed Interest	97.3	102.8	+0.5	
Cash	97.2	102.7	+0.2	
Managed Pens (Nov 18)	291.43	299.19		

Devonshire Life
29 Glasshouse St., W1R 5RG 01-434 3511

Managed	113.9	120.0	+0.4	
World Growth	98.8	104.1	+0.7	
UK Equity	117.5	123.8	+1.0	
UK Small Companies	114.3	120.4	+0.1	
European	103.7	109.2	−0.1	
Far Eastern	159.6	168.1	+1.4	
Nth American	95.3	100.4	+1.4	
Fixed Interest	104.4	110.0		
Index Linked Stks	99.3	104.7	+0.2	
Money	100.2	105.6		
Pen Managed	125.6	132.3	+0.9	
Pen World Growth	99.7	105.0	+0.8	
Pen UK Equity	134.4	141.6	+1.4	
Pen UK Small Cos	124.6	131.2	+0.1	
Pen European	102.4	107.9		

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

Sun Life Unit Assurance Ltd—Contd

Pens. Far Eastern Acc.	677.6	713.3	+7.1	—
Pens. Internat. Acc.	491.9	517.8	+1.7	
Pens. U S Dollar Acc.	104.1	109.6	+0.1	—
Pens. Yen Acc.	152.1	160.2	−0.2	—
Pens. Euro. Curr. Acc.	134.1	141.2	−0.1	—
Pens. Euro. Acc.	132.7	139.7	−0.9	—

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks. 0732 450161

Equity	£246.73	254.36	—	—
Fixed Int.	£156.01	156.79	—	—
Index Linked	£115.04	115.61	—	—
Property	£184.82	192.94	—	—
Cash	£143.10	143.10	—	—
Mixed	£222.29	229.14	—	—
International	£198.39	204.58	—	—

Next sub day Jan 14.

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	148.9	156.8	+0.9	—
Property Fund	117.9	124.2	—	—
Fixed Int Fund	127.6	134.4	+0.6	—
Money Fund	118.9	125.3	—	—
Equity Fund	195.0	205.3	+1.7	—
TSB Pensions Ltd.				
Managed Pension	412.3	434.1	+4.0	—
Deposit Pension	115.3	121.5	—	—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 394000

Managed	405.0	426.4	+4.3	—
Property	261.2	275.0	—	—
Fixed Int.	157.4	165.7	+0.3	—
UK Equity	471.9	496.7	+3.5	—
Int. Equity	333.8	351.4	−0.7	—
Deposit	157.4	165.7	—	—
Managed Property	210.1	221.2	+2.0	—
American Eagle	115.1	121.2	+0.9	—
Technology	93.3	98.3	+2.4	—
Worldwide Income	175.1	184.4	+0.2	—
Pacific	177.2	186.4	−1.0	—
Australian	92.0	96.4	−0.1	—
Japan	282.2	297.1	−3.6	—
Commodity	106.8	112.5	+0.5	—
Gold	131.1	138.0	+0.3	—
Financial	200.5	210.9	+1.5	—
Income	233.3	245.6	+2.5	—
Special Situations	210.2	221.3	+4.6	—
Preference	125.6	[illegible]		

The Norminster Group
71, London Rd, Peterborough, PE2 9BB 0733 42200

Mngd. Scot Mut.	104.4	109.9		—
Man Schroder	100.6	105.8	+0.6	—
Pen Man Schroder	100.4	105.6	+0.6	—

PBR Fund Management Ltd.
146a Queen Victoria St, EC4V 5AP 01-236 4070

Fixed-Bond	133.4	140.2	+1.0	
Fixed Pension Bond	120.4	126.5	+0.6	—
Managed Bond		105.0	+0.6	—
Managed Pension		105.5	+0.9	—

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090
Porchester Managed Funds

Albany	116.1	122.1	+0.1	—
Cornhill	104.0	109.5	+2.5	—
Irish Life	109.0	114.8	—	—
Royal Heritage	99.9	105.2	—	—
Schroder	97.0	102.1	+0.1	—
Standard	116.7	122.8	+1.0	—
Target	119.3	125.6	+0.1	—
Trident	112.3	118.3	+0.7	—
Porchester Managed Pension Funds				
Albany	125.9	132.5	+0.3	—
Schroder	98.6	103.7	+0.1	—
Standard	121.8	128.2	+1.1	—
Target	110.0	115.8	+0.2	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med	110.6	116.5	—	—
Pens. Man-Schroder	456.8	480.8	+4.5	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical	98.9	104.2	+0.5	—
Guardian Royal Exch.	96.7	101.8	+1.3	—
M&G Acc (Life)	121.4	127.1	—	—
M & G Acc (Pens)	127.9	134.0	—	—
Norwich Union Acc Mgt	53.6	56.5	—	—
Royal Life (Unit.Linked)	100.4	105.6	—	—
Scot. Equitable (Life)	146.2	153.9	—	—
Scot. Equitable (Pens)	98.6	103.8	—	—
Scot Mutual (Life)	151.0	159.0	—	—
Scot. Mutual (Pens)	137.3	144.6	—	—
Vanbrugh Life Acc	115.9	122.0	—	—

J. R. Ward & Co Ltd

Tyndall Assurance/Pensions

Transatlantic Life Assur Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Vanbrugh Life Assurance

Vanbrugh Pension Limited

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

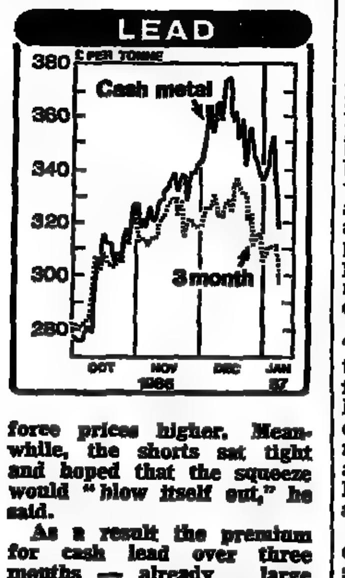
Price fall ends lead's 'game of bluff'

By Richard Mooney

LEAD PRICES fell sharply on the London Metal Exchange yesterday as a technical squeeze on the spot position evaporated.

The squeeze had its origin in a spate of purchases of the three months position on October 8, which would have fallen due for delivery yesterday had they not been closed out.

In what one trader described yesterday as "a game of bluff" long-holders had been holding on in the hope that the squeeze would



force prices higher. Meanwhile, the shorts sat tight and hoped that the squeeze would "blow itself out," he said.

As a result the premium for cash lead over three months — already large because of the existing tight supply situation — widened to £40.50 at Wednesday's close. By yesterday's close, however, it was back in to £20 a tonne and in after-hours dealing it narrowed further.

At the close, cash lead was quoted at £317.50 a tonne, down £3.50 on the day and the three months position was at £297.50 a tonne, down £13.

The October 8 buying was reported at the time to be the result of traders' discussion of the prospects for lead over coffee liqueurs at the LME dinner the previous night. Having persuaded each other that the market was due for a steep rise, most returned to the market the next morning in a very bullish mood.

Their eagerness to buy lead was based on the suggestion that workers at Australia's Broken Hill lead and zinc mines might reject a new peace plan to be put to them on October 21 and resume the strike they had suspended in mid-July.

In the event, the plan was rejected but the strike remained suspended. And that is still the position now, pending the presentation of a fresh peace plan on January 26.

Japan scaling down gold coin plans

By Our Commodities Staff

JAPAN IS scaling down plans to follow its 1986 minting of gold coins to mark the 60th anniversary of Emperor Hirohito with a 1987 issue.

Traders in Tokyo say the Ministry of Finance is reducing the 1987 minting from 5m to 1m coins following a poor response to the 10m coin 1986 issue. In London, dealers said the new minting could well be cancelled or, more likely, quietly forgotten.

The Hirohito issue has failed to live up to expectations because Japanese investors baulked at paying Y100,000 for a coin containing gold worth about Y45,000 despite the historical attraction of the minting. About 10 per cent of the coins were left with dealers.

In London, traders say the absence of Japanese buying in the market could obviously hit prices. "There's no doubt 1986 was a one-off as far as Japan is concerned," said one.

But so far this year prices have held up well, with reports of buying by Communist bloc central banks buoying the London market. The underlying uncertainty about the political future of South Africa, which supplies half the West's gold, also continues to support prices. Gold closed in London at $401.25 a troy ounce, up $1.25 on the day.

Government purchases accounted for 323 tonnes of the 600-610 tonnes of gold Japan bought on the market last year. The country bought the equivalent of nearly half the West's supply of new-mined gold and provided an important spur to prices which rose from $327 an ounce at the begining of 1986 to $391 at the end of December.

Japanese traders expect 1987 gold imports to be less than half 1986 as private as well as government buying declines. One trader said small investors might take 200 tonnes in 1987 against about 210 tonnes last year. However, the forecast is tempered with caution since a 5 per cent sales tax is to be imposed from January 1 1988.

Coffee traders count the cost of slide in prices

BY STEFAN WAGSTYL

COFFEE TRADERS are counting the cost of recent heavy falls in prices.

Prices slipped again in London yesterday in the wake of an announcement by Brazil on Wednesday of a pricing policy for 1987, ending a damaging period of uncertainty during which Brazilian coffee shipments were halted.

In London coffee closed down £24.5 at £1,631 a tonne for the second position. In New York coffee traded late at 134.75 cents a lb for the May position, recovering 0.5 cents of Wednesday's fall on the Brazilian news.

Brazil, the world's largest exporter, had been causing consternation in the market by delaying the announcement of 1987 prices.

Its new policy is to allow prices to fluctuate daily, for the first time ever, instead of being periodically adjusted on the basis of an undisclosed formula by the Brazilian Coffee Institute (ICO). The ICO said it set a minimum price by taking an average of 40 per cent of the price of robusta coffee and 60 per cent of so-called "other milds" and deducting 12 US cents a pound.

London traders said this was "realistic." But some warned the coffee market could have further to fall because Brazil had some 17m bags of coffee in domestic stocks and 500,000 more in Europe after a failed attempt to push up prices by keeping minimum export prices above the market price.

This policy exacerbated uncertainty in the market. Coffee soared to a peak of just over £3,000 a tonne in January 1986 amid reports that drought had hit the 1985 Brazilian crop. Since then it has slipped back but many investors continued to believe that there was a shortage on the way.

Like the Brazilian authorities, these investors have been caught out and some traders have suffered losses. One said: "There's been a lot of blood spilt in this market."

E. D. & F. Man, one of London's largest coffee traders, said the company had suffered because a client had defaulted, but the losses could be easily absorbed by the group, which had had a successful year. "We have been hurt. I don't think there's anybody in this market who hasn't been hurt," said an official.

Mr Ben Tagger, the joint managing director of E. D. & F. Man (Coffee), a group subsidiary, has resigned. But he said yesterday that his departure had nothing to do with the fall in coffee prices. "It's a delicate situation," Mr Tagger said, but he declined to elaborate.

Meanwhile, in the Far East Teck Hock, a Singapore coffee trader which owns the London trader Holiday Cutler & Bath, was granted a two-week moratorium on debt repayments by its bankers last month. It is understood that the group has substantial assets, including coffee stocks, and a financial restructuring is under discussion.

The International Coffee Organisation executive Board's eight producer members meet in London today to debate whether to call a plenary ICO producer session on the possible reintroduction of export quotas, which expired last February. But traders said it would take time to reimpose quotas especially as a formula for distributing them would have to be negotiated.

Any attempt by producers to reimpose quotas would run into heavy criticism from consumer members, including the US, which yesterday asked Latin American producers not to intervene in the market for the remainder of the International Coffee Agreement which expires in 1989.

Ann Charters writes from Sao Paulo. With coffee exports once again permitted, traders, dealers and growers were back to business yesterday in Brazil. Initial offers to sell were high, slightly above international prices and reflecting the higher prices per bag that coffee commands domestically.

But as one commodities dealer said, at last the IBC "got it right." The pricing formula for exports based on a 60-40 ratio of mild to robusta is basically the ratio of roasters blends. It is also a tested formula used by Brazilian exporters in the past for rebates.

In spite of the Government's declared willingness to buy even 50,000 bags of coffee and at the guaranteed minimum support price and pay in a more timely manner, it is expected that exports will become increasingly attractive as daily mini-devaluations ofthe crusado to the dollar erode the pricing gap between a domestic sale and an export sale.

CEGB close to uranium deal

BY MAURICE SAMUELSON

THE CENTRAL Electricity Generating Board is believed to have reached a tentative agreement with a large Australian mining group to supply uranium to fuel some of Britain's nuclear power stations up to the end of the century.

The fuel would come from the Western Mining Corporation's Olympic Dam uranium project in the Roxby Downs area of South Australia. The CEGB is also believed to be seeking a second long-term contract with one of Australia's two other uranium producers.

The Roxby Downs, which contain huge deposits of copper, gold and uranium oxide, were discovered 10 years ago and have the potential to be developed as one of the biggest mines in the world. The project is owned 51 per cent by Western Mining and 49 per cent by British Petroleum Minerals. Production is due to begin in June 1988.

CEGB officials in London last night refused to discuss the deal until authorised by the Australian government and the EEC. However, if it follows the pattern of the CEGB's recent deals with two mines in Texas, it will involve the supply of about 350,000 lb a year for 10 years.

A second deal would bring the UK electricity industry's total orders from Australia to 700,000 lbs a year. The uranium spot price is $17 a pound, but the price in a long-term contract would probably be significantly higher.

News of the tentative deal with Western Mining followed the arrival in Australia of Mr Fred Bonner, the former CEGB deputy chairman, who as head of Britain's Uranium Procurement Directorate has the authority to negotiate overseas purchases.

The CEGB's silence at this stage is due not merely to commercial confidentiality, but possibly to Australia's continuing sensitivity over uranium exports, which have been strongly opposed by the left wingof Prime Minister Mr Bob Hawke's ruling Labor Party.

Until the end of 1984, the UK electricity industry and British Nuclear Fuels bought much of their uranium from Rio Tinto-Zinc's Rossing mine in Namibia.

At the end of 1985, the CEGB ordered 7m lbs from two Texas mines between 1987 and 1997.

The other main supplier is Rio Algom of Ontario, Canada, in which RTZ also has a controlling interest, and which has a contract to supply 20m lbs between 1982 and 1992.

Although the electricity industry also keeps a stockpile of more than two years' supply, it is now seeking more contracts which will extend imports well into the 1990s.

EEC defuses Thai tapioca row

BY PETER UNGPHAKORN IN BANGKOK

THE European Commission yesterday sought to allay Thai fears that new EEC trade regulations would transfer the power to control tapioca shipments from the Thai Government to the EEC.

The new regulations issued on December 22 and 23 threatened to worsen relations already strained over Thailand's belated announcement in Novmber of stringent radiation safety limits on milk products. Tapioca is Thailand's second largest agricultural export after rice.

The Commission said the regulations are "temporary and purely of a technical nature." Thailand's Commerce Minister said he was satisfied with the EEC's statement. But the tapioca exports' president questioned whether EEC customs officers would abide by it.

The regulations limit low duty imports of tapioca and other cereal substitutes from a number of countries in the first quarter of this year. For Thailand, by far the largest supplier they said "import licences may not be issued for a quantity more than 1.3m tonnes."

Thailand argues that this is invalid because the Community has already agreed to issue import licences automatically for any tapioca issued with Thai export licences within the quota of 21m tonnes for 1987 to 1990 provided the total in any year is no more than 5.5m tonnes. That, in practice, is what the EEC has done up to now.

The "verbal note" delivered to the Thai Foreign Ministry yesterday said: "The export certificates for manioc (tapioca) which are issued by the Royal Thai Government for up to a maximum of 5.5m tonnes per annum will be processed in the normal way and will not be in any way affected by the current interim internal regulation."

While the new regulations remain in force customs officers will be unable to issue import licences for quantities exceeding 1.3m tonnes in the first quarter but the EEC note hints that yet another set of regulations could be introduced before Thai exports reach 1.3m tonnes.

Under the interpretation of the present regulation, Thailand has already issued export certificates for about 970,000 tonnes. Later this month the Commerce Ministry is set to allocate about 375,000 tonnes more to exporters which would take the total to 1.345m tonnes. But the later shipments would not arrive in Europe for several weeks.

If the power to control the quotas is transferred to the EEC, European importers would have greater bargaining power and Thai exporters would have to bid down their prices in order to win import licences.

● A Commission official said yesterday that the Community has agreed Thailand's 5.25m *annual* manioc quota "in principle" but that an "administrative" decision had been taken to divide this into quarterly quotas in the meantime, writes Tim Dixon in Brussels.

This is because of reservations by some member states about the level of sweet potato imports from China, a quite separate issue which happens to be dealt with under the same Council of Ministers regulation.

The official who emphasised that the quarterly quota idea "has nothing to do with the Thais," also pointed out that the agreement with Thailand is "very generous."

The matter seems certain to be raised next week, when the Thai Agriculture Minister will be in Brussels on a previously planned visit, seeking about ECU 100m in aid for agriculture.

Britain faces £26.5m milk fine

BY TIM DICKSON IN BRUSSELS

UNFAIR PRICING practices by the Milk Marketing Boards of the United Kingdom have landed Britain with an embarrassing £26.5m bill from the EEC.

The fine follows the so-called "clearance of accounts" for the financial year 1983, effectively an internal audit procedure by the European Commission in Brussels designed to ensure that money paid to member states has been properly spent.

Altogether a total of Ecu 15.448bn of agricultural expenditure was examined, of which almost Ecu 128m was disallowed to the 10 member-states at the time for a variety of different reasons. The biggest "offender" was Greece, which has been asked to pay back Ecu 63.4m with Britain the second biggest culprit with a total liability of Ecu 29.2m. This is less than the total MMB related reductions due to a number of "positive corrections" mostly for amounts disallowed in previous years.

The British fine is bigger than many Brussels observers had previously expected and follows deductions for 1980, 1981, and 1982 for applying the same differential pricing practice. It also follows last month's verdict by the European Court which declared the system anti-competitive and "discriminatory."

Under the dual pricing system, since discontinued, the MMB charged customers a different price for milk destined for processing depending on the use to which it was subsequently put. One differential was for "bulk" or "intervention" butter on the one hand, and packet butter on the other; a second related to the uses of the resulting skimmed milk.

The Commission disallows amounts when accounts are cleared when it finds evidence of a procedural or practical failure to respect the rules governing agricultural support and where illegal national aids have a direct impact on the Community's agricultural expenditure.

The Greek Government said yesterday that it intends to fight the decision, writes Andriana Ierodiaconou in Athens.

A Foreign Ministry announcement said the Commission had failed to consider all the facts submitted by the Agriculture Ministr yin reaching its decision. Greece will refer the case to the European Court, the announcement said.

Greece's subsidisation of exports has long been a point of friction with the European Community. Greece abolished 55 per cent of existing export subsidies on the first of this year, under the terms for the approval of the second tranche of an EEC balance of payments support loan approved last December. The remaining subsidies will be phased out by 1990.

LONDON MARKETS

PLATINUM PRICES rallied to close $12.25 an ounce higher at $495.75 as speculators returned to the market yesterday amid reports that Swiss traders were making substantial purchases. With the US dollar weakening slightly and gold prices rising modestly, investors gained confidence, especially after the US markets opened with a rise in prices on the New York Mercantile Exchange. On the London Metal Exchange, traders' minds were concentrated upon the easing of a squeeze in cash lead prices. Elsewhere, nickel drifted £35 to a new four-year low of £2,382.50 a tonne for three-month metal, despite M. A. Hanna's announcement of the closure of its operations at Riddle, in Oregon, US. On the London Commodity Exchange, cocoa prices slipped further after recent falls to a six-month low but the threat of a possible intervention by the International Cocoa Organisation once its new rules are agreed deterred investors from pushing prices down much further. LCE sugar prices recovered some of their recent losses amid an influx of physical buying orders from India, Bangladesh and elsewhere.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	795-6	+5	800/799
3 months	802-3	+5	804/802.5

Official closing (am): Cash 799-9.5 (792-2.5); three months 803.5-4 (800-0.5); settlement 799.5 (792.5). Final Kerb close: 802-3. Turnover: 10775 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	919-20	—0.25	921/909
3 months	941-1.5	—1	944.5/946.5

Official closing (am): Cash 920.5-1 (916-6.5); three months 942.5-3 (939-9.5); settlement 921 (916.5). Final Kerb Close: 941-2.

Standard			
Cash	895-7	—4.5	892/887
3 months	915-6	—5	909/918

Official closing (am): Cash 891-2 (887-9); three months 917-8 (914-5); settlement 892 (889). US Producer prices 64.25/67.5 cents per pound. Total turnover: 19625 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	317-8	—35.5	345/311
3 months	297-8	—13	310/297

Official closing (am): Cash 336-7 (354-5); three months 308-9 (312.5-3); settlement 337 (355). Final Kerb Close: 297-8. Turnover: 22750 tonnes. US Spot: 24/29 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2320-5	—40	2335
3 months	2380-5	—35	2415/2380

Official closing (am): Cash 2330-5 (2375-8); three months 2388-01 (2433-4); settlement 2335 (2378). Final Kerb Close: 2375-78. Turnover: 1584 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	537-8	—0.75	—
3 months	530-1	+2	531/526.5

Official closing (am): Cash 538-9 (542-3); three months 530-1 (529-5); settlement 539 (543). Final Kerb Close: 529.5/530. Turnover: 5500 tonnes. US Prime Western: 42/44.75 cents per pound.

TIN

Kuala Lumpur Tin Market: Close 17.40 (17.44) ringgit per kg. Down 0.4 ringgit per kg.

GOLD

Gold gained $1¼ to $401-401¼ on the London bullion market yesterday. It opened at $401¼-401¾ and was fixed at $401.60 in the morning and $402.65 in the afternoon. The metal touched a peak of $403¾-404¼ and a low of $400½-401, appearing to find support around the $400 level. The firmer tone reflected short covering in New York, and a weakening of the dollar on the foreign exchanges.

GOLD BULLION (fine ounce) Jan. 8		
Close	$401-401¼	(£272¼-272¾)
Opening	$401¼-401¾	(£273¼-273¾)
M'n'g fix	$401.60	(£273.507)
Aft'n'n fix	$402.65	(£273.484)

GOLD AND PLATINUM COINS		
Am Eagle	$414-419	(£281-284¼)
Mapleleaf	$415-417¼	(£280¼-283¼)
Kr'g'r'nd	$402-405	(£272¾-274¾)
½ Krug	$204-205	(£138½-139)
¼ Krug	$103-104	(£69¾-70½)
Angel	$412-415	(£279½-281¼)
1/10 Angel	$40¾-45¾	(£27½-31)
New Sov	$94-97	(£63¾-65¾)
Old Sov	$95½-97	(£64¾-65¾)
$ 20 Eagle	495-475	(£338½-322¼)
Noble Plat	$507-515	(£344-349½)

SILVER

Silver was fixed 3.8p an ounce higher for spot delivery in the London bullion market yesterday at 368.55p. US cent equivalents of the fixing levels were: spot 541.6c, up 5.6c; three-month 549.55c, up 5.65c; six-month 557.50c, up 5.85c; and 12-month 573.45c, up 6c. The metal opened at 367-368½p (539-541c) and closed at 366½-368p (540-542c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	368.55p	+3.80	368.5p	+4.75
3 months	378.55p	+4.00	378.5p	+4.75
6 months	388.30p	+4.10	—	—
12 months	407.90p	+4.25	—	—

Three months high 378.5p, low 378p, final kerb 377-80p.

LME—Turnover: 1 (0) lots of 10,000 oz.

SOYABEAN MEAL

	Y'sterd'ys close	+ or —	Business done
	£ per tonne		
Feb	128.5-129.4	+3.45	—
April	128.2-129.0	+3.10	129.0-128.5
June	122.5-125.0	+2.35	123.0-121.0
August	121.0-122.0	+2.00	120.5-120.0
October	122.5-123.0	+1.25	122.5-121.5
Dec	125.5-125.5	+0.75	—
Feb	124.5-126.0	+1.00	—

Sales: 101 (66) lots of 20 tonnes.

INDICES

REUTERS

Jan. 7	Jan. 6	M'th ago	Year ago
1631.4	1630.7	1638.8	1771.8

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 7	Jan. 6	M'th ago	Year ago
Spot	115.00	114.59	—	132.46
Fut	115.49	115.14	—	136.86

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 8 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1240/260	+10	$1210/230
Copper			
Cash Grade A	£919.5	—0.25	£932.5
3 mths	£941.25	—1	£952.75
Gold Troy oz	$401.25	+1.25	$388.25
Lead Cash	£317.5	—33.5	£366
3 mths	£297.5	—13	£327.62
Nickel			
Free Mkt	158/177c	—1.5	165/185c
Palladium oz	$122.00	—1.75	$117.50
Platinum oz	$495.75	—12.25	$461.00
Quicksilver†	$155/165	.....	$160/170
Silver troy oz	368.55p	+3.80	376.50p
3 mths	378.55p	+4.00	385.15p
Tin			
free Mkt	£4690/530	—10	£4449/460
Tungsten	$41.44	.....	$47.64
Wolfram 22.04lb	$32/42	.....	$32/42
Zinc	£537.5	—8.75	£542.5
3 mths	£530.5	+2	£537.5
producers	$870	.....	$870
OILS			
Coconut (Phil)	$400z	—15	$410
Palm Malayan	$327.5w	+2.5	$290
Copra (Phil)	$250	.....	$265
Soyabean (U.S.)	$146	+4	$150
GRAINS			
Barley Fut. Mar.	£113.00	+0.20	£114.10
Maize	£143.25	.....	£144.00
Wheat Fut. Mar.	£113.50	+0.20	£113.00
No. 2 Hard Wint.	‡	.....	‡
OTHERS			
Cocoa Ft. May	£1415.5	—4	£1449.5
Coffee Ft. Mar.	£1631	—24.5	£1627.5
Cotton A ind.*	65.00c	.....	69.50c
Gas Oil Feb.	$161.5	+5	$130.25
Rubber (kilo)	65.75p	+0.5	63.75p
Sugar (raw)	$141x	+1.5	$151.5
Wooltops 64s	427p kilo	—3	425p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. z Dec-Jan. w Feb. y Feb-March.

COFFEE

Despite announcements from the IBC of their 1987 export policies the overall Brazilian situation appeared to need further clarification and this was reflected in the day's trading, reports Drexel Burnham Lambert. Volume traded in London and New York was comparatively light with commission house on both sides of the market. Buying interest in the spot month in mid-afternoon trading led to a general recovery from the lows.

COFFEE	Yesterday close	+ or —	Business Done
Jan	1640-50	—1.0	1640-05
Mar.	1630-32	—24.5	1625-10
May	1655-65	—24.5	1658-34
July	1675-75	—26.5	1686-60
Sept.	1700-05	—26.0	1708-90
Nov.	1720-40	—15.0	1739-20
Jan.	1720-60	—20.0	—

Sales: 3,402 (3,506) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for January 7: Comp. daily 1979 120.67 (120.41); 15-day average 126.42 (126.27).

COCOA

Futures traded in a narrow range below Wednesday's closing levels. The main feature was light commission house buying in the afternoon. Actuals trading was predominantly confined to the secondhand market, reports Gill and Duffus.

COCOA	Yesterday's close	+ or —	Business Done
	£ per tonne		
March	1389-1390	—3.0	1398-1385
May	1415-1416	—4.0	1418-1411
July	1439-1440	—5.5	1444-1436
Sept	1465-1466	—3.0	1468-1461
Dec	1490-1494	—2.5	1494-1487
March	1520-1523	—2.5	1522-1514
May	1539-1540	—4.5	1544-1535

Sales: 2,883 (2,777) lots of 10 tonnes.

ICCO indicator prices. Daily price for January 8: 89.16 (89.19); five-day average for January 9: 90.09 (90.43) US cents per pound. Daily price 1604.46 (1603.02); 10-day average 1691.17 (1634.69) SDRs per tonne.

POTATOES

Following a firmer Dutch quote and icy conditions in the UK and Europe, London opened up £3.50 and traded in a £2.00 range in the morning. Finding sellers at £161.00 and buying interest above £159.00. In nervous trading after lunch and with talk of further adverse weather for the weekend, Holland and London continued to firm, closing near to the high of the day, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	108.00	107.00	118.00
Apr	162.50	156.80	162.00-159.00
May	180.80	175.70	181.00-178.00
Nov.	88.50	88.60	88.00
Feb.	100.00	97.60	—

Sales: 1,306 (514) lots of 40 tonnes.

SUGAR

Reports of buying by China and the USSR provoked keen commission house covering, reports C. Czarnikow.

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
Mar	144.8-145.2	153.8-155.2	148.2-138.8
May	149.8-150.5	158.0-158.8	151.0-138.5
Aug	154.4-155.6	142.8-145.4	155.4-144.6
Oct	157.8-158.8	148.8-147.8	157.8-147.4
Dec	158.0-165.0	159.8-152.8	—
Mar	170.8-175.8	159.8-161.8	—
May	175.8-177.0	164.8-166.8	—

Sales: 4,834 (2,082) lots of 50 tonnes.

LONDON DAILY PRICE—Raw sugar $141.00 (£96.00), up $1.50 (up £1.00) a tonne for January-February delivery. White sugar $173.50, up $2.00.

Tate and Lyle delivery price for granulated basis sugar was £198.50 (£197.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for January 7: Daily price 5.27 (5.26); 15-day average 5.44 (5.47).

FREIGHT FUTURES

	Close	High/Low	Prev.
	Dry Cargo		
Jan.	788	788/760	750/757
April	815/813	820/787	780/785
July	694/695	696/685	675/677
Oct.	815/826	820/795	791/793
Jan.	830	850/820	790/799
Apr.	820	—	810
July	755	—	712
Oct.	850	—	816
BFI.	739.5	—	718.5

The market rose in record volume on confirmation of firmer Gulf/Japan and Gulf / Amsterdam-Rotterdam-Antwerp fixings. Latest talk was of Gulf/Japan rates at $13.00, reports Clarkson Wolff.

Turnover: 980 (613).

GRAINS

Old crop wheat found early light follow-through selling pressure to trade a handful of lots at 10-15p down. However, rumours of Soviet buying interest of up to 4m tonnes of EEC wheat, including 1m tonnes of UK wheat, although unconfirmed was enough to see the market take an abrupt about turn and trade up o 40p up. At these levels the market encountered shipper and country selling. Most of the volume was represented by January/March and January/May switching and broker crosses. Old crop barley similarly opened easier in very thin trade with May wheat/barley switching representing the bulk of the trade in the morning. Volumes picked up in he afternoon as flat shipper buying interest in the March position became evident together with January/March switching and shipper long liquidation in the January position. New crop wheat encountered light country hedge selling interest against modest shipper buying. New crop barley saw a 20 lot cross in the November position add to an otherwise quiet market. Underlying switch trade and light flat commission house buying kept values steady, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yestrdy's close	+ or —	Yest'rdy's close	+ or —
Jan	111.05	+0.15	110.75	+0.35
Mar	113.50	+0.20	113.00	+0.25
May	115.90	+0.55	114.40	+0.30
July	118.05	+0.15	—	—
Sep.	100.70	—	100.15	+0.05
Nov.	102.70	—0.10	102.90	+0.05
Jan.	105.70	—0.05	105.85	+0.05

Business done—Wheat: Jan 111.20-10.80, March 113.70-3.15, May 115.90-5.70, July 118.05-7.90, Sept 100.70-0.65, Nov 102.75-2.70, Jan 105.70. Sales: 355 lots of 100 tonnes. Barley: Jan 110.75-10.55, March 113.00-2.90, May 114.40-4.35, Sept 100.20-0.10, Nov 102.95-2.80, Jan untraded. Sales: 171 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Feb 103.75, Mar 104.00, April/May 102.00, US no 2 soft red winter Jan 106.00 quoted. French 11½-12 per cent Jan 141.75. English feed fob Feb 116.75, Mar 117.25, June 118.50 paid east coast, Jan 115.50/116.00, Feb 116.50/117.00, Mar 117.50/118.00, April/June 118.50/119.00 buyer/sellers. Maize: US no 3 yellow/French transhipment east coast Dec 143.25. Barley: English feed fob Jan 116.25/116.75 buyer/sellers English, Feb 116.00/116.50 buyer/sellers Scottish, Mar 117.00/117.50 buyer/sellers Scottish, 118.00 buyer English.

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3 373 a tonne). Feed barley: S. East 110.50, S. West 110.40, W. Mids 110.40, N. West 110.40. The UK monetary coefficient for the week beginning Monday January 12 will remain unchanged.

RUBBER

PHYSICALS—The London market opened steadier, met some resistance at the higher levels and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 65.75p (65.25p); Feb 63.75p (63.25p); March 64.00p (63.50p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 226 (224.5) and SMR 20 206 (202.5).

FUTURES—Index 661, February 676-686, March 660-690, April-J[une] 686, July-Sept 691-706. Sales:

US MARKETS

A FURTHER rise in oil prices was reflected in continued strength in crude oil futures as trade buying steadied prices in the face of profit-taking, reports Drexel Burnham Lambert. Fund buying was noted in heating oil. Initial trade buying in gold futures disappeared as profit-taking emerged and the trade turned brief seller before again supporting the market at the lows. Continued short-covering in sugar futures touched off heavy commission house stops above 6.00c, basis March, as the market rallied strongly in the face of trade profit-taking and price-fix selling. Filled catalogue sales of cotton prompted trade and commission house buying, touching off stops in the futures before profit-taking pared gains. In the soyabean complex, recent buying of South American origin beans and meal by the USSR led to firm cash prices and futures markets steadied in response. Wheat and maize futures were up slightly in lighter volume on continued short-covering reflecting Wednesday's strength. Live cattle futures steadied reflecting both good physical demand and the feeling that the futures may be at a larger discount to the cash market than expected.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	52.30	—	—	51.50
Feb	52.45	—	—	51.65
March	52.60	52.65	52.00	51.80
May	52.50	52.25	52.10	51.90
July	52.50	—	—	52.10
Sept	52.50	—	—	52.30
Jan	52.90	—	—	52.70
March	53.05	—	—	52.85
May	53.15	—	—	52.95

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1966	1968	1966	1965
March	1857	1868	1856	1858
May	1894	1902	1892	1894
July	1917	1922	1917	1918
Sept	1942	1948	1948	1943
March	1986	—	—	1986

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
March	134.02	134.15	131.75	132.90
May	135.52	135.70	133.50	134.70
July	136.50	137.00	135.10	135.63
Sept	138.25	138.25	136.38	136.50
Dec	139.63	140.00	138.00	138.25
March	139.63	—	—	138.00
May	139.83	—	—	138.00

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	61.10	—	—	61.15
Feb	61.35	—	—	61.45
March	61.75	62.00	61.75	61.85
May	62.30	62.50	62.30	62.45
July	62.70	63.00	62.75	62.80
Sept	63.05	63.30	63.10	63.30
Jan	63.80	—	—	64.00
March	64.20	—	—	64.40
May	64.50	—	—	64.70

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
March	57.28	59.34	57.10	57.85
May	57.10	59.00	57.00	57.92
July	57.18	58.50	57.00	57.85
Oct	56.60	57.40	56.90	56.85
Dec	56.40	57.50	56.38	56.70
March	56.75	57.05	57.05	57.15
May	56.90	—	—	57.80

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Feb	18.58	18.60	18.26	18.25
March	18.55	18.58	18.30	18.23
April	18.41	18.43	18.17	18.07
May	18.25	18.25	17.95	17.92
June	18.00	18.10	17.77	17.70
July	17.90	17.95	17.60	17.53
Aug	17.82	17.95	17.60	17.38
Sept	17.46	17.80	17.30	17.25
Oct	17.25	—	—	17.13

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	402.3	403.2	403.2	402.6
Feb	403.9	406.2	402.3	404.3
March	405.5	408.0	406.7	405.9
April	407.9	410.0	406.3	408.0
June	411.9	413.0	410.4	411.5
Aug	414.4	416.9	413.2	415.0
Oct	417.7	—	—	418.4
Feb	425.2	425.0	423.2	425.1
June	432.4	—	—	433.7
Oct	417.7	—	—	418.4

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High
Feb	52.05	52.25
March	51.70	51.85
April	50.20	50.35
May	48.70	48.90
June	47.80	48.00
July	47.90	48.00
Aug	48.50	—

ORANGE JUICE 15,000 lbs

	Close	High
Jan	123.85	124.00
March	125.30	125.80
May	126.80	126.90
July	127.20	127.40
Sept	128.25	—
Jan	129.35	—

PLATINUM 50 troy oz

	Close	High
Jan	494.9	496.0
April	498.8	499.5
July	502.3	503.5
Jan	510.3	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High
Jan	540.4	—
Feb	542.7	—
March	545.5	549.0
May	551.0	555.0
July	556.2	560.0
Sept	562.0	—
Jan	573.8	—
March	579.7	583.0
May	586.9	—

SUGAR WORLD "11" cents/lb

	Close	High
March	6.43	6.49
May	6.67	6.70
July	6.83	6.83
Sept	6.85	6.41
Oct	7.04	7.04

CHICAGO

LIVE CATTLE 40,000 lb

	Close	High
Feb	57.62	57.67
April	57.97	58.00
June	57.10	57.15
Aug	55.77	55.80
Oct	54.47	54.67

LIVE HOGS 30,000 lbs

	Close	High
Feb	48.62	48.70
April	43.80	43.90
June	46.47	46.55
July	46.42	46.45
Aug	44.07	44.35
Oct	41.15	41.15
April	39.10	39.20

MAIZE 5,000 bu min, cents/56 lb

	Close	High
March	155.2	157.2
May	162.2	164.4
July	166.6	166.6
Sept	171.0	173.2
Dec	174.6	177.0
March	183.0	185.0
May	186.4	186.0

PORK BELLIES 38,000 lbs

	Close	High
Feb	67.52	67.95
March	66.27	66.50
May	66.65	66.57
July	64.20	65.00
Aug	62.50	62.90

SOYABEANS 5,000 bu min, cents/60lb bushel

	Close	High
Jan	494.2	495.6
March	495.2	497.0
May	496.2	498.4
July	497.4	500.2
Aug	496.0	498.4
Sept	486.0	488.4
Nov	486.0	488.0
Jan	492.0	494.4
March	500.0	—

SOYABEAN MEAL 100 tons

	Close	High
Jan	144.9	145.0
March	144.9	145.2
May	144.9	145.0
July	144.7	145.3
Aug	144.7	145.2
Sept	144.5	145.0
Oct	144.5	145.0
Dec	145.2	146.0
Jan	147.0	147.0

SOYABEAN OIL 60,000 lb

	Close	High
Jan	16.32	16.53
March	15.87	16.81
May	15.93	16.06
July	15.99	16.15
Aug	15.93	16.05
Sept	15.77	15.94
Oct	15.65	15.90
Dec	15.70	16.00
Jan	15.75	15.90

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High
March	277.0	279.0
May	262.0	263.6
July	243.4	245.2
Sept	244.0	246.4
Dec	251.6	252.0
March	277.0	278.0

SPOT PRICES—Chicago l[oose lard] 16.000 (same) cents per pou[nd]. Handy and Harman silver bulli[on] (536.0) cents per troy ounce.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.63p per kg lw. GB—Sheep 187.51p per kg (—31.26). GB—Pigs 74.12p per kg (—4.87). GB—AAPP 97.10p per kg. FUTURES—Pigmeat: Feb sales 3.

OIL

January North Sea crude was at the same level as February. March Brent was discounted from February. Prices firmed during the day but eased towards the close. February opened 13c up on Nymex and 20c up at 1.30 pm EST. In the petroleum products market fuel oil particularly firm as traders anticipated strong crude prices. Naphtha on the back of strong gas oil was actively talked and Gasoline was quiet—Petroleum Argus, London.

	Latest
CRUDE OIL—FOB ($ per barrel)	
Arab Light	—
Arab Heavy	—
Dubai	17.15-17.25
Brent Blend	18.30-18.35
W.T.I. (1pm est)	18.45-18.55
Forcados (Nigeria)	—
Urals (cif NWE)	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)	
Premium gasoline	161-164
Gas Oil	163-166
Heavy fuel oil	100-102
Naphtha	161-163

* February.

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yestrdy's close	+ or —	Business Done
	US $ per tonne		
Jan	160.00	+3.00	161.0
Feb	161.50	+5.50	161.7
Mar	157.75	+4.00	158.2
Apr	153.00	+3.50	155.5
May	150.25	+4.25	150.7
June	149.50	+4.00	149.5

Turnover: 6,110 (6,324) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close	+ or —	Business Done
	US $ per tonne		
Jan	106.25	+7.25	106.25-
Feb	102.00	+5.00	102.50-
Mar	98.50	+2.50	98.50

Turnover: 161 (96) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Calmer EMS depresses dollar

THE BUILD up of pressure within the European Monetary System eased slightly yesterday, and this tended to withdraw the underlaying support for the dollar. There was intervention by the Bank of France and West German Bundesbank, to buy French francs against the D-Mark, but on a smaller scale than the previous two days. The franc remained at its EMS floor.

Speculators turned their attention towards other members of the EMS, which are likely to be involved in any realignment of the system. The Irish punt fell below its minimum permitted limit against the D-Mark in late trading, while the Belgian franc and Danish kroner were also very weak. Selling pressure increased against the Italian lira, but there was no sign that the Bank of Italy or German Bundesbank were actibely trying to stem the fall.

Earlier inthe day dealers in Tokyo reported tha the Bank of Japan had bought between $50m and $100m to prevent the dollar falling below Y158. It was suggested, however, that the Japanese authorities are reluctant to intervent too aggressively because of pressure from the US Congress on the trade imbalance between the US and Japan.

After a strong start in Europe the dollar declined as central banks stood back from the market. At the London close the dollar had fallen to DM 1.9205 from DM 1.92757; to FFr 6.40 from FFr 6.4225; and to SFr 1.6105 from SFr 1.6205, but had improved to Y158.20 from Y158.05.

On Bank of England figures the dollar's index fell to 108.1 from 108.2.

STERLING—Traded range against the dollar in 1986-87 is 1.5555 to 1.3700. December average 1.4387. Exchange rate index was unchanged at 68.8, compared with 75.9 six month ago.

Sterling remained on the sidelines yesterday, as attention continued to focus on the EMS. The pound showed mixed changes, but benefited from the decline of the dollar during the day. Sterling gained 35 points to $1.4740-1.4750, and rose to Y233.25 from Y232.50, but fell to DM 2.8325 from DM 2.8350; to FFr 9.4375 from FFr 9.4475; and to SFr 2.3750 from SFr 2.3850.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.9175. December average 1.9900. Exchange rate index 145.8 against 135.7 six months ago.

The Bundesbank intervened to buy FFr 179m at the Frankfurt fixing, as the French franc was fixed at its floor within the EMS of DM 30.030 per 100 francs. There was no sign of intervention by the West German central bank on the open market however, as pressure on the French currency tended to ease. Attention turned to other currencies likely to be devalued in any EMS realignment, but not yet at their lowest permitted levels. The Italian lira fell sharply to DM 1.4070 per 1,000 lira at the fixing, from DM 1.4280, without any attempt by the Bundesbank to intervene. There was also no intervention by the German central bank when the dollar was fixed at DM 1.9308, compared with DM 1.9283 on Wednesday

NIGERIAN NAIRA—The naira weakened against the dollar, when the Nigerian central bank auctioned $50m yesterday. The dollar rose to 3.4250 naira at the auction, from 3.3000 at the previous auction three weeks ago. The effective rate for transactions over the next week, including a levy of 0.5 per cent by the central bank is 3.4422 naira, compared with 3.3188. The naira's decline of 3.6 per cent at the auction was less than had been predicted, with the end of year break in the sale of hard currecy expected to lead to pent up demand for the dollar. The central bank has announced that with effect from next week banks will be prevented from bidding if documents for approved commercial transactions are lacking.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.0789	−0.08	+0.75	±1.5368
Danish Krone	7.81701	7.83130	+0.18	+1.01	±1.6403
German D-Mark	2.11083	2.06783	−2.04	−1.21	±1.1127
French Franc	6.87316	6.88382	+0.16	+0.99	±1.3659
Dutch Guilder	2.37833	2.33422	−1.85	−1.02	±1.5059
Irish Punt	0.764976	0.766283	+0.17	+1.00	±1.6683
Italian Lira	1476.95	1467.60	−0.63	−0.45	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

US Treasury bonds firm

US TREASURY bond prices broke through important chart resistance points to register strong gains in the London International Financial Futures Exchange yesterday. Traders remained convinced that the US authorities would have to act in order to counter a rising trade deficit, a view given credit after comments by Mr James Baker, US Treasury Secretary when he suggested that December's US trade deficit would be similar to November's record $19.2bn shortfall.

The March price opened at 101-02 up sharply from 100-08 on Wednesday and rose to a high of 101-11 before closing at 101-05. Three-month Euro-dollar deposits tended to move in line with Treasury bonds and after opening at 94.09 the March contract touched a high of 94.11 before closing at 94.10 up from 94.03 on Wednesday.

UK long gilt prices opened on a dull note, slightly up from Wednesday but wary because of a slightly weaker start to the pound. Technical resistance and the latest tap stock overhanging the market tended to dampen enthusiasm but there was no real attempt to sell and prices remained stable for much of the morning.

However, good demand developed in the afternoon and after important chart levels were broken, notably the 115-00 level, prices improved rapidly so that the March contract closed at 115-17 up from an opening level of 114-11 and Wednesday's close of 114-08. Trading was extremely active with over 31,000 lots traded, close to the all-time record reached in November.

Three-month sterling deposits opened at 89.22 for March delivery and touched a low of 89.21 before climbing to a high of 89.33. It closed at 89.31, up from 89.23 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
100	15.34	15.50	0.00	0.02
102	13.34	13.52	0.00	0.04
104	11.34	11.57	0.00	0.09
106	9.35	10.02	0.01	0.18
108	7.38	8.18	0.04	0.34
110	5.47	6.42	0.13	0.58
112	4.05	5.12	0.53	1.28
114	2.39	3.99	1.05	2.11

Estimated volume total, Calls 2,442 Puts 1,154
Previous day's open int, Calls 13,090 Puts 7,917

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	11.10	10.34	0.00	0.12
92	9.11	8.46	0.01	0.24
94	7.13	7.01	0.03	0.47
96	5.21	5.31	0.11	1.09
98	3.40	4.09	0.30	1.51
100	2.15	3.02	1.05	2.44
102	1.14	2.08	2.04	3.50
104	0.37	1.28	3.27	5.06

Estimated volume total, Calls 204 Puts 0
Previous day's open int, Calls 1,008 Puts 242

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Jan	Calls—Last Feb	Puts—Last Jan	Puts—Last Feb
16000	16.70	16.73	0.00	0.03
16250	14.20	14.28	0.00	0.08
16500	11.70	11.89	0.00	0.19
16750	9.22	9.61	0.02	0.41
17000	6.79	7.50	0.09	0.80
17250	4.53	5.62	0.33	1.42
17500	2.65	4.02	0.95	2.32
17750	1.30	2.73	2.10	3.53

Estimated volume total, Calls 10, Puts 28
Previous day's open int, Calls 299 Puts 73

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

Beneficial Trust Ltd	12	Heritable & Gen. Tr.	11
Berliner Bank AG	11	● Hill Samuel	§11
Brit. Bk. of Mid. East	11	C. Hoare & Co	11
● Brown Shipley	11	Hongkong & Shangh'	11
Cl. Bank Nederland	11	Lloyds Bank	11
Canada Permanent	11	Mase Westpac Ltd.	11
Cayzer Ltd	11	Meghraj & Sons Ltd	11
Cedar Holdings	12	Midland Bank	11

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Mar.	0.6224	0.6230	0.6199	0.6191
June	0.6259	0.6262	0.6236	0.6225
Sept.	0.6295	0.6295	0.6293	0.6256

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar.	256.70	256.95	255.45	256.30
June	257.50	257.80	256.45	257.20
Dec.	259.30	259.30	258.30	259.20

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, January 7, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

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Enquiries: 01-634 4360/5. Dealing 01-236 9861.

ECU=$US1.07344 SDR1=$US1.2267
As of January 8, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6¼	6 3/16
Sibor:	6¼	6 3/16

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.8661
Algeria	Dinar	4.65
Andorra	French Franc	6.42
	Spanish Peseta	131.75
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral	1.269
Aruba	Florin	1.80
Australia	Dollar	1.506
Gibraltar	Pound*	1.471
Greece	Drachma	138.10
Greenland	Danish Krone	7.315
Grenada	E. Caribbean $	2.70
Guadeloupe	Franc	6.42
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (b, i)	2.57
Guinea Bissau	Peso	170.479
Guinea Republic	Franc	340.00
Papua New Guinea	Kina	0.956
Paraguay	Guarani (o)	240.00
	Guarani (p)	350.00
	Guarani (d)	630.00
Peru	Inti (o)	13.95
	Inti (f)	20.20
Philippines	Peso	20.48
Pitcairn Islands	N.Z. Dollar	1.8539
Poland	Zloty (o)	197.50
Portugal	Escudo	145.65

MONEY MARKETS

German rates fall

INTEREST RATES in West Germany were lower yesterday, reflecting a large inflow of funds before an expected revaluation in the D-Mark and also through Bundesbank intervention in currency markets to prop up the dollar and the French franc. Yesterday's meeting of the Bundesbank central council finished with no change announced in credit policies or interest rates. This was in line with expectations and tended to underline the West German authorities pre-occupation with containing money supply growth at the expense of subsidising the weaker members of the EMS. Call money fell to 4.55 per cent from 4.65 per cent.

UK clearing bank base lending rate 11 per cent since October 15

Call money in Paris was unchanged at 9 per cent although the French franc remained at its floor level against the D-Mark. In Amsterdam the Dutch central bank said it would hold a tender today for special advances at 6.1 per cent to add liquidity to the money market. The facility runs from today until January 16 and replaces a maturing agreement of Fls7.5bn which carried a rate of 6.2 per cent. The slightly lower rate reflected the relatively firm position of the Dutch guilder within the EMS.

The bank of England forecast a shortage of around £950m wih factors affecting the market including maturing assistance and a take up of Treasury bills together draining £522m, Exchequer transactions a further £395m and banks' balances brought forward £35m below target. To help alleviate the shortage the Bank offered an early round of assistance which totalled £77m and comprised purchases of £44m of eligible bank bills in band 1 at 10⅞ per cent, £13m in band 2 at 10 13/16 per cent and £20m in band 3 at 10¾ per cent.

The forecast was revised to a shortage of around £800m before taking into account the early help and the Bank gave additional assistance in the morning of £61m through outright purchases of eligible bank bills, £7m in band 1 at 10⅞ per cent, £35m in band 2 at 10 13/16 per cent and £19m in band 3 at 10¾ per cent. Assistance in the afternoon totalled £330m and was made up of £188m of eligible bank bill purchases in band 1 at 10⅞ per cent, £73m in band 2 at 10 13/16 per cent, £31m in band 3 at 10¾ per cent and £38m in band 4 at 10 11/16 per cent. Late assistance came to £205m, making a total of £673m.

Three-month interbank money was quoted at 11 5/32-11 1/16 per cent unchanged from Wednesday. Overnight money opened at 11⅛ per cent and traded at 11½ per cent before slipping away to 8 per cent later in the day.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102[illegible]	99[illegible]	Exch. 13¼pc 1987	99[illegible]	−[illegible]	—	—
100[illegible]	97[illegible]	Treas 10¼pcCv '87	99[illegible]		10.26	11.27
99[illegible]	92[illegible]	Exch 2½pc 1987	98[illegible]	−[illegible]	2.52	9.40
101[illegible]	97[illegible]	Exch. 10½pc 1987	99[illegible]	+[illegible]	10.52	11.12
99[illegible]	93[illegible]	Funding 6½pc 85-87	99[illegible]	+[illegible]	6.56	9.61
101[illegible]	96[illegible]	Treas. 10pc 1987	99[illegible]		10.03	10.73
97[illegible]	90[illegible]	Treas 3pc 1987	97[illegible]	+[illegible]	3.08	8.14
104[illegible]	99[illegible]	Treas. 12pc 1987	100[illegible]	+[illegible]	11.89	10.69
99[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	97[illegible]	−[illegible]	7.92	10.03
104	96[illegible]	Exch 10½pc '88	99[illegible]	+[illegible]	10.51	10.56
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	98[illegible]	+[illegible]	9.86	10.61
94[illegible]	86[illegible]	Transport 3pc '78-88	93[illegible]	+[illegible]	3.21	7.85
102[illegible]	93[illegible]	Treas. 9½pc '88	98[illegible]	+[illegible]	9.67	10.58
107[illegible]	98[illegible]	Treas 11½pc 1989	101[illegible]	+[illegible]	11.33	10.62
103[illegible]	93[illegible]	Treas 9½pc Cnv 1989	97[illegible]	+[illegible]	9.71	10.58
92[illegible]	82[illegible]	Treas 3pc 1989	89[illegible]	+[illegible]	3.36	8.09
105[illegible]	95[illegible]	Treas 10½pc 1989	99[illegible]	+[illegible]	10.53	10.63
104[illegible]	94[illegible]	Exch 10pc 1989	98[illegible]	+[illegible]	10.15	10.64
107[illegible]	97	Exch 11pc 1989	100[illegible]	+[illegible]	10.91	10.52
93[illegible]	84[illegible]	Treas 5pc 1986-89	89[illegible]	+[illegible]	5.56	9.19
110[illegible]	94[illegible]	Exch 10¼pcCv '89	101	−[illegible]	10.19	9.54
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	106[illegible]	+[illegible]	12.24	10.56
108[illegible]	97[illegible]	Exch 11pc 1990‡‡	101[illegible]	+[illegible]	10.87	10.58
113[illegible]	101[illegible]	Exch. 12½pc 1990	105[illegible]	+[illegible]	11.89	10.57
89[illegible]	79[illegible]	Treas. 3pc 1990	84[illegible]	+[illegible]	3.54	8.78
100[illegible]	89[illegible]	Treas 8¼pc 1987-90‡‡	93[illegible]	−[illegible]	8.77	10.34
106[illegible]	93	Treas. 10pcCv 1990	98[illegible]	+[illegible]	10.19	10.60
86[illegible]	76[illegible]	Exch 2½pc 1990	81[illegible]	+[illegible]	3.06	8.14

Five to Fifteen Years

Over Fifteen Years

Undated

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INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	Mercer 10p	78	.....	L2.46	2.6	4.4	12.0
78½	45	Mitchell Cotts	66½		1.5	2.1	3.2	17.1
128	81	Monks & Crane 10p	106xd		L2.7	2.9	3.6	13.0
323	210	Morgan Crucible	323	+2	18.5	1.5	3.7	21.5
23½	15½	Morris (W) F.A. 20p	17	–½	—	—	—	—
157	65	Myson Grp 10p	152	.....	†2.68	2.6	2.4	19.6
365	214	NMW Computers	214	–1	†6.0	3.0	3.9	12.3
141	27	Nash Inds.	138		1.5	♦	1.6	♦
*27½	12½	Neill & Spencer 10p	27½		—	—	—	—
39	28	Newman Inds 10p	36½	+1	†0.8	1.5	3.1	(27.9)
134	65	Noble & Lund 10p	92	+7	0.7	4.3	1.1	30.0
65	39	Nolton	47	.....	1.2	2.9	3.6	13.5
150	96	Norank Systems 5p	123		m1.5	—	1.7	15.8
286	187	Norcros	260xd	+4	19.3	2.3	5.0	11.9
217	49	Nu-Swift 5p	216	–1	†3.5	2.1	2.3	29.0
£356½	£228	OCE 9pc Cnv 1987-92	£312½	–5	Q9%	—	†2.9	—
118	80	Oakwood Grp	88		†5.0	1.3	‡	12.2
250	173	Office & Elect	175	–3	8.5	2.9	6.8	7.1
34	26	Omnitech 1p	31		—	—	—	—
36	18	Optometrics $0.01	18	–3	—	—	—	—
890	500	Oriflame £1	840	–5	†28.5	2.1	4.8	16.3
10	5	Overstone 12½c	5½	.....	†Q3.2%	1.9	20.0	2.6
142	85	PCT Grp 10p	120	+3	d3.2	—	3.5	—
£20½	£13⅞	PLM 'B' Sk 25	£18	–¼	Q23.2%	0.3	3.4	—
258	160	Pacer Systems $0.02	167	–1	Q5.8%	3.4	1.6	18.6
78	44	Pacific Sales 10p	45		3.0	1.4	9.4	10.7
447	246	Parker Knoll 'A'	447	+10	12.0	3.2	3.8	11.7
222	83	Parkfield Group 2p	215	+5	3.6	4.2	2.4	13.7
53	17	Pavion Intl	29	–1	—	—	—	7.7
£130	£64½	Do 11pc CvLn '99-02	£88	.....	Q11%	—	13.1	—
617	393	Pearson	600	–4	†10.0	2.8	2.3	19.5
50	12	Peek Holdings 3p	44	–½	—	—	—	—
176	88	Peerless	155		6.3	1.5	5.7	(13.9)
519	141½	Pentland 10p	490	+20	†0.75	22.4	0.2	27.8
£14	775	Photo-Me	£13		5.75	10.0	0.6	19.6
666	315	Pilkington Br. £1	635xd	–3	††13.5	2.7	3.0	13.7
243	68	Do. Warrants	228		—	—	—	—
£517½	£293	Pitney-Bowes Cnv. Ln.	£517½	+20	Q5½%	—	1.1	—
96	52	Plastic Const. 10p	75		†2.8	2.5	5.3	10.5
9	5½	Platignum 5p	6½		8	—	—	11.2

LEISURE—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*112	55	Leisuretime Int 10p	69	+1	†2.3	0.9	4.7	(36.6)
123	91	Lewmar	108	–	u2.63	3.4	3.4	12.1
98	71	Macro Dev. 50p	80	.....	R3.13	3.0	5.5	7.7
162	143	Mecca Leisure 10p	161½	+½	14.1	♦	3.6	♦
220	96	Media Tech Int 20p	108	.....	2.8	4.5	3.7	8.3
*178	130	Medminster 10p	170	+2	6.25	1.9	5.2	14.1
220	130	Miss World 10p	175	.....	†5.2	3.3	4.2	10.1
90	62	Nationwide Leisure	64	+½	(3.75)	2.5	8.3	(8.5)
17	8	Nikolo Int 20c	9	+1	—	—	—	—
294	114	Orient Ex Hds $0.125	261	+33	—	—	—	—
45½	23	Owners Abroad 3p	45½	+½	1.5	2.3	4.6	13.0
90	46	Photax (Lon.)	78	.....	—	—	—	—
35	25½	P'dilly Radio NV 5p	35	.....	2.0	♦	8.5	♦
78	25	Pineapple 10p	72½		—	—	—	—
391	280	Pleasurama 5p	332	+5	†7.5	3.6	3.2	12.4
178	136	Do. 7pcCvCmRedPf	153	+3	7%	—	6.4	—
157	94	Prestwich	117	+1	0.85	6.9	1.0	19.8
44	38	Radio City 'A' NV	44	.....	—	—	—	—
58	33	Radio Clyde NV	56xd	.....	3.5	1.6	8.8	9.9
405	322	Really Useful Grp 5p	361	.....	11.25	2.2	4.4	14.6
64	36½	Riley Leisure 10p	54	+½	—	—	—	—
230	129	Saga Hols. 20p	199		4.6	2.6	4.1	13.5
355	148	Samuelson Grp 20p	175	.....	2.4	6.5	1.9	10.3
128	69	Sangers Photo 10p	84	.....	†2.2	1.5	3.7	25.6
178	93	Scoro 20p	100xr		n4.0	3.5	5.6	7.2
363	175	Scott. TV 10p	340	–1	†10.5	3.3	4.3	9.8
27	7	SelecTV 10p	14½		—	—	—	—
37	20	Spectrum 5p	21	–1	‡1.2.0	4.8	‡	22
199	139	Stanley Leisure	194	.....	u3.25	2.8	2.4	21.3
49½	31	TSW 5p	47½	–½	2.05	2.6	6.1	9.1
226	137	TV-am 10p	224	+1	†5.75	2.6	3.6	15.0
*279	144	TVS N/Vtg 10p	263	+2	M10.0	2.5	5.4	19.7
188	59	Television Svcs 50p	76	+4	†2.0	2.9	3.7	11.7
340	219	Thames TV	317	+5	n9.5	1.9	4.2	17.8
74	50	Tottenham Hotspur	65	+1	—	—	—	—
96	60	Trillion 10p	88	+2	1.1	3.3	1.8	18.6
260	140	Tyne Tees TV 'A' £1	255	+1	†a10.5	2.0	5.8	9.8
151	74	Ulster TV	82	+3	3.13	3.6	5.4	7.3
100	36	Viewplan 5p	61		1.28	1.4	2.9	(31.9)
142	128½	Virgin Group 10p	134	+½	u2.2	2.5	2.3	22.3

MINES—Continued

Miscellaneous

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
147	30	Anglo-Dominion	124	–2	—	—	—
42	19½	Anglo Utd	33	–1	—	—	—
80	23	Colby Res Corp.	24	...	—	—	—
300	115	Cons. Murch. 10c	£1⅞	.....	Q60c	4.4	9.9
44	24	Eastex Inc. Ir10p	42	+1	—	—	—
168	70	Greenwich Res	168	+9	—	—	—
327	165	Highwood Res	211	–2	—	—	—
£30¼	£13½	Homestake Mining $1	£17¼	+¼	Q20c	—	0.8
310	156	McFinley Red Lake	184	+1	—	—	—
205	113	Minto Exploration	129		—	—	—
51	28	New Sabina Res C$1	40	+½	—	—	—
353	200	Northgate C$1	310	–12	—	—	—
790	513	RTZ	699	–4	22.0	2.4	4.6
£164	£115	Do. 9½pcLn '95-2000	£146½	+1	Q9½%	15.5	(6.5)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ∥ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	62	..	Fin. 13% 97/02	£99	
Craig & Rose £1	£14¼		Arnotts	395	+15
Finlay Pkg. 5p	53	...	CPI Hldgs.	42	
Holt (Jos) 25p	835	+5	Carroll Inds.	148	+3
IoM Stm. £1	76	..	Dublin Gas	10	
			Hall (R. & H.)	100	.. ..
IRISH			Heiton Hldgs.	27	.. ..
Fund 12¼% 1988	£97⅝		Irish Ropes	145	–5
Nat. 9¾% 84/89	£92	.	Unidare	305	. ..

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 22	Jan 8	Jan 9	Jan 19
Jan 12	Jan 22	Jan 23	Feb 2
Jan 26	Feb 5	Feb 6	Feb 16

* New time dealings may take place from 9.00 am two business days earlier.

Renewed upsurge in equities checked at the close but Gilt-edged in good heart

The UK securites market was on strong form again yesterday, when buying interest widened to include many domestic engineering and consumer issues as well as the established multinational favourites. However, London faltered when Wall Street opened erratically, and an early gain of nearly 24 points in the FT-SE 100 index was halved before the close.

"Yesterday was a catching-up session for stocks overlooked on Wednesday," commented one major trader. US buyers were again active, and put in a brief appearance in the gilt-edged sector at midday, while the domestic institutions also continued to invest some of their New Year cash.

The FT-SE 100 index closed a net 10.9 up at another new peak of 1733.1, after touching 1745.8 earlier. The FT All Share index also peaked again, but the FT ordinary index, 19.5 higher at 1372.5, remained 50 points short of its all-time high.

In pharmaceuticals, attention switched from Glaxo to Beecham, which moved higher on turnover of 5.4m shares, and to Wellcome, also strong on 13m shares after reports that a major US broker is recommending them stock.

Boots, overlooked recently by pharmaceutical bulls, attracted heavy trade with 13m shares changing hands.

Among the multinationals, Jaguar stood out as 6.9m shares changed hands. There was heavy interest in Hanson Trust (19m), STC (8.5m), Racal (9m) and Cable & Wireless (6.4m).

Traders commented, however, that sizeable lines of stock came on offer when Wall Street flinched in early dealings, and warned that London was braced for a technical pause in the New York market.

UK stocks lacked leadership from two notable sectors. Oils, which starred before Christmas when oil prices improved, had a busy but relatively unsuccessful day. And Bank stocks fell in heavy turnover as US banks were warned that some Latin American loan losses might have to be taken on the balance sheets.

Government bonds had a good day, helped by very modest retail support, some of which seemed to come from New York. The marketmakers took on more of the 1984 Treasury tap stock, although enough of the issue remains unsold to keep buying enthusiasm in check.

The FT Government index gained 0.64 to 85.21, reflecting gains of 1¼ points in longer-dated stocks.

Morgan Grenfell rise

Morgan Grenfell continued its rapid recovery, advancing further to 396p at one stage before closing 10 higher on balance at 395. The rally has coincided with vague rumours of a bid from Nomura Securities of Japan and the shares have now risen over 40 since their end-December depressed level which followed corporate finance director Mr Roger Seelig's sudden departure. Other Merchant Banks were again well to the fore although Brown Shipley cheapened 5 at 588p following confirmation that the UK Temperance and General Provident Institution's stake had been sold to "friendly" Kredietbank SA Luxembourgeoise. Hill Samuel, still reflecting the 5 per cent stake acquired by NZI Corporation, rose 10 to 443p, while Kleinwort Benson firmed 6 more a 559p following reports of renewed Far Eastern support. Chancery Securities continued to reflect an investment recommendation and closed 7 better at 153p. Schroders closed 13 higher at 733p. Clearing Banks turned easier as world debt worries suddenly resurfaced. The warning from Mr James Baker, the US Treasury Secretary, that US banks may have to accept losses on loans to Latin American debtors such as Brazil, Argentina and Mexico affected sentiment and NatWest dropped 10 at 548p after a turnover of nearly 4m shares. Barclays gave up 5 at 503p, after 502p, and Lloyds softened 4 at 449p, after 445p.

Double-figure gains were commonplace among Composites as institutions found stock in short supply. GRE led the way with a rise of 28 at 827p, while Royals added 24 at 879p and General Accident 18 at 857p. Sun Alliance improved 19 at 697p and Commercial Union put on 5 at 292p.

Breweries remained in good form with dealers reporting active conditions throughout the session. Quotations made useful progress from the outset with sentiment given an addition boost by Greenwell Montagu who regard the sector as "distinctly undervalued." Allied-Lyons, the star performer of late following a bullish circular from the same broker, touched 356p before settling 10 up on balance at 351p. Whitbread A put on 9 to 281p, while Scottish and Newcastle improved 7 to 204p. Guinness rose 5 to 297p. Otherwise subdued Regionals featured Vaux which hardened 6 to 509p amid sizeable new-time demand; rumours were again circulating that a bid approach to the company is imminent with old favourites Pleasurama and Kennedy Brookes again mention as possible suitors.

Business in the Building sector expanded noticeably and the leaders made further good progress with American buyers reported by showing interest. Blue Circle, still boosted by speculation that Adelaide Steamship is increasing its holding in the company, gained 10 more to 723p. Redland rose 15 to 432p, Tarmac 14 to 458p and RMC22 to 704p. BPB Industries were 20 higher at 578p and Marley jumped 8½ to 131½p. George Wimpey firmed 6 to 196p, while Bryant Holdings put on 6 to 171p on hopes of an increased bid from English China Clays. Recent high-flyer Helical Bar encountered light profit-taking and slipped 8 to 480p.

FINANCIAL TIMES STOCK INDICES

	Jan. 8	Jan. 7	Jan. 6	Jan. 5	Dec. 2	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	85.21	84.57	84.49	84.66	84.76	81.19	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.29	90.74	90.83	90.42	90.23	87.65	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,372.5	1,353.0	1,334.3	1,322.8	1,320.2	1,106.1	1,425.9 (3/4/86)	1,094.3 (14/1/86)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	319.6	316.3	315.6	308.9	304.1	280.2	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.17	4.22	4.29	4.35	4.36	4.47				
Earnings Yld.%(full)	9.88	9.99	10.16	10.29	10.33	11.12				
P/E Ratio (net) (*)	12.43	12.29	12.08	11.93	11.88	11.11				
SEAQ Bargains (5 pm)	46,181	35,831	34,339	34,376	19,640	—				
Equity Turnover (£m)	—	1,155.04	1,326.57	857.54	320.58	570.16				
Equity Bargains	—	48,494	45,467	41,288	37,993	24,191				
Shares Traded (ml)	—	479.2	484.4	335.1	220.8	272.2				

S.E. ACTIVITY

Indices	Jan. 7	Jan. 6
Gilt Edged Bargains	129.4	138.6
Equity Bargains	314.2	294.6
Equity Value	2334.6	2681.3
5-Day Average		
Gilt Edged Bargains	116.3	110.8
Equity Bargains	266.2	249.7
Equity Value	1681.2	1465.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1371.4	1371.7	1379.8	1383.6	1381.0	1380.7	1384.1	1375.8

Day's High 1384.1. Day's Low 1370.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.97.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

ICI attracted further buying interest and rose 6 to 1138p, after 1143p. Wardle Storeys touched 393p after revealing annual profits slightly in excess of market estimates before easing back to close 4 cheaper on balance at 386p.

Leading Stores were dragged higher by the general trend. Marks and Spencer attracted considerable interest—over 10m shares changed hands—and the close was 5 higher at 187p. Dixons moved up 10 at 335p and Next gained 8½ at 235p, while Burton added 3 at 286p and Woolworth put on 7 at 710p. Elsewhere, Ratners moved up 1½ to 271p ahead of Monday's interim results and Ward White added 4 to 292p behind Press reports of a forthcoming analysts' meeting. Comment on the bumper results and proposed 100 per cent scrip issue lifted Body Shop 40 to 775p.

BICC Good

BICC continued to reflect a Barclays de Zoete Bevan recommendation and surged further forward to 294p before closing 7 higher on balance at 289p. Thorn EMI were favoured at 503p, up 11, while STC advanced 6 to 184p to the accompaniment of revived takeover talk. Over 18m British Telecom shares changed hands as the price reacted from an initial firm level of 220p to close unaltered at 216p following news of the break-down in peace talks between the company and union leaders over a pay claim. Elsewhere in Electricals, Electron House jumped 18 to 146p following Press comment, while Tenby rose 9 more making a two-day leap of 42 at 217p following news of a bid approach. Quest Automation, the subject of an investment recommendation, improved 7 at 105p.

Engineers encountered some further good investment buying, before drifting back to close below the day's best levels. Leading issues still recorded doubled figure gains at the close with Vickers settling 18 to the good at 431p and Hawker 12 firmer at 495p GKN put on 8 to 290. Revived talk that the company is about to sell its Raleigh subsidiary prompted fresh strength in TI Group which advanced 17 to 516p, while Baker Perkins featured a rise of 55 at 318p on the announcement of merger discussions. Demand persisted for Delta, up another 8 more at 213p.

Leading Foods met with the selective buying interest. Hillsdown emerged from a quiet period and rose 3 to 232p, while United Biscuits firmed 5 to 238p and Northern Foods rose a similar amount to 257p Cadbury Schweppes, partly reflecting US support, put on 2½ to 191½p, while Rowntree Mackintosh hardened the same amount to 417p. Among Retailers, ASDA-MFI enjoyed a good two-way business and were finally unchanged at 161p.

Hotels were featured by Ladbroke which touched 410p prior to closing a net 17 up at 406p in the wake of a broker's lunch and a progress report from the company which stated that sales in its DIY subsidiary Texas Homecare are currently booming. Trusthouse Forte made early progress to 188p before easing back to close unchanged at 185p. Grand Metropolitan moved up 3 to 457p. Speculative buying boosted Mount Charlotte 4½ to 102½.

Pharmaceutical issues were again well to the fore in the miscellaneous industrial sector. Wellcome were heavily traded (13m) and advanced afresh to close 6 higher at 271p. Boots were also active (13m) and gained 2½ to 244½p, while Beecham finished 9 higher at 462p after a volume of 5.4m. Fisons were a quieter market, but put on 14 further to 575p. Interest, however, tended to fade in Glaxo, a shade cheaper at £11½, after the recent strong advance. Elsewhere, Hanson, up 2½ at 201p, and Trafalgar House, 8 dearer at 295p were both actively traded. Demand persisted for Associated British Ports, which gained 23 more to 371p, while Press mention stimulated interest in Expamet, 15 to the good at 185p. Johnson Group moved up 27 to 510p in belated respose to its further move into the US; the group is acquiring three dry cleaning companies in America for £3.8m cash. Revived bid hopes left Briden 6 to the good at 149p, while Dalgety, an old takeover favourite, put on 9 to 288p. Renewed demand left Reed Executive 17 higher at 403p. Steetley moved up 18 to 485p following the announcement that discussions are taking place on the divestment of three of its smaller refractory operations. Other good spots included Siebe, 25 higher at 788p. British Aerospace, 9 to the good at 533p, and Shiloh 15 up at 238p.

Jaguar shot higher as a US investment house covered a short commitment. The buying soon exerted fresh pressure on London marketmakers' book positions and the price touched 602p before easing after-hours to settle 28 up at 590p. Dowty, which announced significant changes within its divisional structure on Wednesday, led Component shares higher with a rise of 10 to 236p. Lucas Industries initially responded to the two US acquisitions and advanced to 502p before reacting quite sharply to end a net 2 down at 493p. Kwik-Fitstood out at 105, up 8.

Full-year profits some £6m above analysts' forecasts failed to revitalise Associated Newspapers which after rising to 417p drifted back to finish slightly easier on balance at 403p. United maintained their buoyancy, helped by inter-marketmaker business, closing 11 higher at 416p but EMAP "A" dropped 10 to 158p on the proposed enfranchisement on the shares. Other features embraced BPCC, 6 better at 261p, and Robert Horne, 15 dearer at 265p following comment on the good preliminary statement. Bemrose jumped 15 to 206p, Boase Massimi 18 to 297p and David S. Smith 15 to 263p. WCRS were raised 30 to 555p.

The Property leaders generally failed to participate in the latest equity market upsurge and closed with minor improvements on balance. Among the second liners, Press comment suggesting imminent bid developments involving Arbuthnot Properties boosted Imry 18 to 398p, while London and Metropolitan attracted support following newspaper comment and firmed 4 to 182p. Rosehaugh continued to move ahead on Broadgate development prospects to close 25 higher at 665p.

Tootal were briskly traded and gained 3½ to 108½p while Courtaulds were similarly dearer at a 12-month high of 327p. Property hopes resurfaced in Early's of Witney, up 14 at 180p.

Close Bros., the small merchant bank, jumped 18 to a 1986-87 peak of 288p following news that Caledonia Investments had acquired a 10.6 per cent stake; British Airways Pension Fund sold its 8.06 per cent shareholding on Wednesday. Caledonia is the Cayzer family quoted company which holds a large stake in British and Commonwealth, now headed by Mr John Gunn. Esewhere in Financial Trust, Smith New Court rose 6 to155p and Westpool Investment spurted 8 to 75p, while Templeton Galbraith gained 8 to 216p and J. T. Parrish 10 more to 405p.

Oils steady

Turnover in the Oil sector held at relatively low levels. However, Ultramar were in demand and rose 6 to 176p and LASMO made similar progress to 168p. Britoil were quite active and settled 2 cheaper at 169½p.

Fresh buying of Inchcape impinged on a market short of stock and the close was 20 higher at 553p. A similar situation existed in Harrisons and Crosfield which rose 8 more to 495p, after 501p. Remaining Overseas Traders were often easier, including Polly Peck at 170p.

South African mining markets, having paused for breath on Wednesday, re-adopted the firmer tone that had previously prevailed since the New Year. The Gold sector's revived strength owed much to Platinum which responded eagerly to sizeable demand, much of which reportedly emanated from Swiss sources, and consequently achieved a chart breakthrough to be fixed during the afternoon some $12 higher at $495.75 an ounce.

Bullion, taking its lead from Platinum's buoyant showing, consolidated above the psychologically-important $400 level, settling $1.25 up at $401.25 an ounce. Gold shares, marked higher from the outset amid short-covering exercises, attracted fresh demand from Johannesburg and selected Continental centres and finished at or around the session's best. The FT Gold Mines index rose 3.3 more to 319.6.

UK-registered counters provided a noteworthy feature in Greenwich Resources which advanced 8 more to 167p.

Despite easier values in overnight domestic markets—Sydney and Melbourne finally succumbed to profit-taking after achieving record levels in the previous seven trading sessions—Australians finished no worse than mixed in London.

Traded Options

Another firm showing throughout the underlying securities list ensured an extremely lively session in Traded Options. As on Wednesday, operators' attentions centred on British Gas and Hanson Trust which attracted 8,874 and 6,102 calls respectively. Dealers also reported active trading in British Telecom, Grand Metropolitan, Cable and Wireless and Commercial Union, all of which attracted over 2,000 calls. Total contracts transacted amounted to a hefty 67,911.

Traditional Options

- First dealings
  Jan 5 Jan 19 Feb 2
- Last dealings
  Jan 16 Jan 30 Feb 13
- Last declaration
  Apr 2 Apr 23 May 7
- For Settlement
  Apr 13 May 5 May 18

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Lookers, Hampton Trust, Renold, Border Television, Lee International, J. T. Parrish, London Securities, Premier Oil, Greenwich Resources, Regentcrest, North Kalgurli, Bristol Oil and Minerals, Stewart Nairn, Sedgwick, Logica, Freshbake, Skyline, Harris Queensway, Mecca, Portland Mining, Mrs Fields, Amstrad, Baker Perkins, Delta and Wellcome. No puts or doubles were reported.

NEW HIGHS AND LOWS FOR 1986/87

NEW HIGHS (302)

BRITISH FUNDS (4), AMERICANS (4), BANKS (8), BREWERS (2), BUILDING (20), CHEMICALS (6), STORES (14), ELECTRICALS (13), ENGINEERING (6), FOODS (16), HOTELS (4), INDUSTRIALS (42), INSURANCE (3), LEISURE (4), MOTORS (6), NEWSPAPERS (4), PAPER (11), PROPERTY (13), TEXTILES (11), TOBACCOS (1), TRUSTS (102), OILS (2), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (8).

NEW LOWS (10)

BRITISH FUNDS (1), Exch 13½pc 1987. ELECTRICALS (2), Dewron, Instem. ENGINEERING (1), Thyssen. INDUSTRIALS (5), Beaverco, CCA Galleries, Hille Ergonom, NMW Computers, Wilkes (J.). PAPER (1), Broad Street.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	[illegible]	[illegible]	[illegible]
Allied Lyons	[illegible]	[illegible]	[illegible]
BAT	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Brit. Aero.	[illegible]	[illegible]	[illegible]
Brit. Gas	[illegible]	[illegible]	[illegible]
Britoil	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	[illegible]
Brit. Telecom	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]
Cable & Wire	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union	[illegible]	[illegible]	[illegible]
Cons. Gold	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]
Dee Corp	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]
Gen. Accident	[illegible]	[illegible]	[illegible]
Gen. Elect.	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]
Grand Met	[illegible]	[illegible]	[illegible]
Ladbroke	2,500	406	+17
Land Securities	526	347	+3
Legal & Gen.	3,800	264	+3
Lloyds Bnk	1,900	449	−4
Lonrho	1,900	245	−2
[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	104	3	65
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	672	307	547
Financial and Properties	299	87	196
Oils	40	25	48
Plantations	4	—	6
Mines	62	57	86
Others	115	15	71
Totals	1,298	479	1,027

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thursday January 8 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Jan 7 Index No.	Tues Jan 6 Index No.	Mon Jan 5 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	728.92	+1.5	8.58	3.58	14.76	0.00	718.30	705.37	701.20	571.04
2	Building Materials (27)	903.91	+2.2	8.39	3.40	14.99	0.00	884.54	866.68	860.39	614.47
3	Contracting, Construction (29)	1239.35	+1.9	7.60	3.75	18.09	0.00	1216.02	1195.45	1191.04	918.74
4	Electricals (12)	1854.79	+1.7	8.12	4.54	15.88	0.00	1823.28	1795.32	1794.27	1541.55
5	Electronics (38)	1595.51	+0.2	8.96	2.58	14.80	0.00	1592.84	1570.79	1568.46	1436.35
6	Mechanical Engineering (61)	413.31	+2.1	9.63	4.08	13.23	0.00	404.73	399.11	395.84	321.48
8	Metals and Metal Forming (7)	376.28	+2.0	9.72	3.95	12.50	0.00	368.73	360.68	358.77	244.35
9	Motors (15)	288.61	+2.2	9.58	3.64	12.04	0.00	282.45	276.59	274.28	208.97
10	Other Industrial Materials (21)	1244.85	+1.2	7.21	4.42	16.53	0.00	1229.89	1198.50	1186.82	1006.71
21	CONSUMER GROUP (184)	987.80	+1.1	7.40	3.18	17.36	0.00	976.97	960.57	955.80	744.28
22	Brewers and Distillers (22)	967.69	+1.4	8.79	3.58	14.28	0.00	954.03	944.98	939.29	774.54
25	Food Manufacturing (25)	750.92	+1.1	8.92	3.73	14.69	0.00	742.59	739.97	740.31	555.58
26	Food Retailing (16)	1931.34	+1.0	6.04	2.77	20.36	0.00	1912.77	1886.02	1883.74	1703.81
27	Health and Household Products (10)	1770.36	+0.3	5.37	2.14	21.61	0.00	1765.59	1692.29	1648.57	1189.34
29	Leisure (29)	1023.87	+1.2	7.33	3.96	17.04	0.00	1011.28	997.27	993.65	756.73
31	Packaging & Paper (14)	518.44	+1.4	6.60	3.22	19.63	0.00	511.25	500.57	497.19	362.52
32	Publishing & Printing (14)	2873.64	+0.9	6.78	3.97	19.01	0.00	2848.00	2762.58	2751.58	1834.16
34	Stores (37)	856.50	+1.7	7.44	3.14	18.26	0.00	842.30	837.55	843.81	715.86
35	Textiles (17)	573.14	+1.0	9.21	3.58	12.50	0.00	567.61	552.06	550.64	379.37
40	OTHER GROUPS (88)	848.84	+0.6	9.02	3.92	13.79	0.00	843.98	822.58	815.89	707.67
41	Agencies (17)	1153.96	+0.8	5.09	1.91	26.78	0.00	1145.35	1135.84	1126.06	0.0
42	Chemicals (21)	1063.31	+0.7	8.34	4.12	14.62	0.00	1055.56	1029.26	1011.71	733.58
43	Conglomerates (13)	1162.90	+0.9	7.43	3.75	15.97	0.00	1152.02	1118.98	1115.17	0.0
45	Shipping and Transport (11)	1623.06	+0.6	7.52	4.64	16.52	0.00	1612.73	1597.41	1578.54	1327.21
47	Telephone Networks (2)	862.96	+0.1	10.84	4.47	12.58	0.00	862.43	840.82	837.15	883.44
48	Miscellaneous (24)	1157.60	+0.8	10.35	3.57	10.89	0.00	1148.80	1109.11	1101.37	866.26
49	INDUSTRIAL GROUP (482)	894.28	+1.1	8.14	3.48	15.57	0.00	884.95	867.74	862.47	697.29
51	Oil & Gas (18)	1529.89	−0.3	11.13	5.92	11.35	0.00	1534.40	1512.68	1505.69	1107.00
59	500 SHARE INDEX (500)	947.97	+0.9	8.57	3.83	14.78	0.00	939.90	922.34	916.94	732.53
61	FINANCIAL GROUP (117)	633.39	+0.6	—	4.50	—	0.00	629.43	623.78	620.76	513.14
62	Banks (8)	688.72	−0.9	18.32	5.33	7.49	0.00	695.17	689.80	691.43	521.39
65	Insurance (Life) (9)	898.44	+1.5	—	4.32	—	0.00	885.52	878.47	875.35	780.63
66	Insurance (Composite) (7)	485.13	+2.6	—	4.47	—	0.00	472.92	467.82	461.78	410.96
67	Insurance (Brokers) (9)	1180.27	+1.3	8.09	4.49	16.07	0.00	1164.86	1154.57	1147.68	1181.62
68	Merchant Banks (11)	366.20	+0.8	—	3.98	—	0.00	363.37	357.93	350.96	283.19
69	Property (47)	820.66	+0.9	5.91	3.59	22.05	0.00	813.37	811.32	805.82	654.93
70	Other Financial (25)	392.32	+0.6	7.76	3.86	16.24	0.00	389.88	382.26	380.52	290.10
71	Investment Trusts (97)	894.86	+0.9	—	2.57	—	0.00	887.20	881.53	876.44	642.53
81	Mining Finance (2)	345.72	−0.8	9.04	4.64	13.01	0.00	348.67	345.22	342.16	243.28
91	Overseas Traders (12)	805.06	+0.9	9.95	5.63	12.18	0.00	798.03	789.01	779.53	607.09
99	ALL-SHARE INDEX (728)	863.56	+0.8	—	3.90	—	0.00	856.67	842.58	837.72	669.26

	Index No.	Day's Change	Day's High	Day's Low	Jan 7	Jan 6	Jan 5	Jan 2	Dec 31	Year ago
FT-SE 100 SHARE INDEX ♦	1733.1	+10.9	1745.8	1732.3	1722.2	1690.7	1680.0	1681.1	1679.0	1379.6

FIXED INTEREST

	PRICE INDICES	Thurs Jan 8	Day's change %	Wed Jan 7	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.11	+0.19	119.88	—	0.40
2	5-15 years	134.82	+0.65	133.95	—	0.08
3	Over 15 years	142.46	+0.99	141.06	—	0.00
4	Irredeemables	154.24	+1.13	152.51	—	0.00
5	All stocks	132.27	+0.57	131.52	—	0.18
	Index-Linked					
6	5 years	116.47	+0.32	116.10	—	0.00
7	Over 5 years	113.67	+0.66	112.93	—	0.00
8	All stocks	114.09	+0.60	113.41	—	0.00
9	Debentures & Loans	115.28	+0.55	114.65	—	0.00
10	Preference	79.50	+0.17	79.36	—	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Thurs Jan 8	Wed Jan 7	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.60	9.66	10.01
2		15 years	9.81	9.91	10.50
3		25 years	9.81	9.91	10.50
4	Medium Coupons	5 years	10.48	10.58	11.71
5		15 years	10.10	10.22	10.94
6		25 years	9.87	9.99	10.53
7	High Coupons	5 years	10.56	10.65	11.82
8		15 years	10.25	10.38	11.11
9		25 years	9.92	10.04	10.64
10	Irredeemables †		9.74	9.85	10.22
	Index-Linked				
11	Inflat'n rate 5%	5 yrs.	3.60	3.77	0.0
12	Inflat'n rate 5%	Over 5 yrs.	3.76	3.80	0.0
13	Inflat'n rate 10%	5 yrs.	2.12	2.28	0.0
14	Inflat'n rate 10%	Over 5 yrs.	3.60	3.64	0.0
15	Debs & Loans	5 years	11.09	11.11	12.49
16		15 years	11.09	11.11	11.67
17		25 years	11.09	11.11	11.59
18	Preference †		11.76	11.78	12.01

♦Opening index 1733.8; 10 am 1732.7; 11 am 1740.9; Noon 1745.1; 1 pm 1743.0; 2 pm 1742.8; 3 pm 1742.3; 3.30 pm 1736.5; 4 pm 1737.5.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · NETHERLANDS · GERMANY · ITALY · FRANCE · NORWAY · SPAIN · SWEDEN · SWITZERLAND · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · JAPAN · JAPAN (continued) · SINGAPORE · SOUTH AFRICA

[illegible]

Pakhoed	70.2	−0.8
Philips	44.2	−1
Robeco	95.5	−0.2
Rodamco	138.3	+0.1
Rolinco	85.8	−0.2
Rorento	49.8	
Royal Dutch	210.6	−1.2
Unilever	523.5	−1.5
VMF Stork	26.5	−1
VNU	351	
Wessanen	83.8	−0.2
West Utr Bank	50	

Perrier	800	
Petroles Fra	437.5	+5.5
Peugeot S.A.	1,328	+8
Printemps (Au)	541	+1
Radio tech	1,070	+20
Redoute	2,559	+109
Roussel-Uclaf	1,545	
Sefimeg	465	
Skis Rossignol	1,450	+35
Telemec Elect	3,240	+10
Thomson (CSF)	1,561	[illegible]
Valeo	521	+1

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices January 8

[illegible]

MONTREAL
Closing prices January 8

[illegible]

F—No voting rights or restricted voting rights.

Indices

NEW YORK · STANDARD AND POORS · N.Y.S.E. ALL COMMON · RISES AND FALLS · TORONTO

[illegible]

SWEDEN Jacobson & P (31/12/56)	2421.54	2458.08	(c)	2485.56	2572.78 (7/11)	1729.57 (28/1)
SWITZERLAND SwissBankCpn (31/12/58)	587.4	588.5	606.2	598.7	625.5 (8/1.86)	487.2 (4/6)
WORLD M.S. Capital Intl.(1/1/70)	—	[illegible]	563.2	[illegible]	[illegible] (7/1/87)	[illegible]

** Saturday January 3: Japan Nikkei (c). TSE (c).
Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Navistar	2,748,000	5⅞	—	Ralston Purina	1,702,300	74⅞	−⅛
Boeing	2,621,900	50⅜	−⅛	IBM	1,695,100	123⅞	+⅛
Am. Tel. & Tel.	2,401,500	25⅜	+⅛	Comnw. Edison	1,615,600	36	+⅛
Union Carbide	2,095,500	24⅜	+1	Diam. Shamr'ck	1,569,300	14½	+1⅛
Anh'ser-Busch	1,984,000	29⅜	+1	Canad.-Pacific	1,489,300	14	+⅛

TOKYO — Most Active Stocks
Thursday, Jan 8, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Nippon Steel	85.5m	184	+8	Tobu Railway	14.5m	862	+23
Fuji Electric	44.5m	443	+27	Kanegaf. Chem. Ind.	12.9m	839	[illegible]
Sumitomo Chemical	27.8m	438	+18	Denki Kagaku Kogyo	12.6m	462	+20
Mitsubishi Metal	25.9m	588	−7	Mitsub. Min. & Cem.	12.3m	518	+35
Nippon Kokan	18.3m	234	+4	Kasai El. Railw.	10.8m	828	+43

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock		Sales (Hnds)	High	Low	Last	Chng

Continued from Page 43

Stock	Div.	P/E	Sales (Hnds)	High	Low	Last	Chng
Orbit		15	65	11¼	11	11	−¼
OshBA	.14e	22	917	61¾	60	61	+1½
OshkTB	.30	9	159	26	25¾	25¾	+¼
OttrTP	2.84	14	45	49	48⅝	49	+¼
OwenMn	.30	15	57	16¼	15½	15½	
RPM	.72	21	276	21¾	21	21¾	+¾
RadSys		12	1182	10¼	9⅞	10	+⅛
Rainer	1.08	10	1197	33⅞	33⅝	33⅞	
Readng		22	857	25⅛	24⅞	25	−⅜
Reeves		22	1094	9⅛	8⅝	8⅞	+⅛
Refac		49	62	10¼	9¾	9¾	
RgcyEl	.20		525	8½	8¼	8½	+⅛
RnlCtrs		27	298	25¾	24¾	25½	+½
RepAm	.10e	16	1516	15⅝	15¼	15½	+⅛
RoutrH	.40e		1887	u51⅞	51	51⅜	−⅛
ReyRys	.76	14	815	35	33¾	34¾	+1
Riblim			230	6⅛	5⅞	6	−⅛
RichsnH			58	14	13⅝	14	
RigsNa	1.10	10	664	29½	29¼	29¼	−¼
Roach		44	178	10½	9⅝	9⅝	−⅜
RoadSv	1.10	42	867	37¼	36¼	37¼	+1
RochCS		18	674	12¼	11⅞	12¼	+⅜
RgrCbA			7	11⅝	11⅝	11⅝	+⅛
SoftwA		14	675	14	12⅝	13⅞	+1⅛
SonocP	.80a	37	653	40¼	39⅜	40	
SoundW		9	199	13¼	d12¾	13	−¾
SthdFn	.52		404	14⅞	13¾	14⅛	−⅜
Soutrst	.88	11	329	23⅞	23⅜	23⅜	−¼
Sovrgn	.10	118	1207	8⅝	8	8⅛	+⅛
Sovran	1.36	9	1525	36⅜	35½	35½	−½
Speedys		22	430	17¾	17¼	17½	
SpecCd	.07	16	828	9¾	9⅜	9½	
StarSur		60	118	7⅝	7⅛	7¼	−⅛
StatBld	.20		148	10⅝	10¼	10¼	−⅛
Standy	1.20	13	12	37¼	36½	36½	
StdMic		650	1368	13	12⅝	13	+½
StdReg	.80	13	696	36¾	36¼	36¼	
StaStBs	.40	8	1858	27¼	26¾	27¼	+⅜
StewStv			21	13¼	12¾	13	
Swtnf	.76	12	97	[illegible]			
Stratus		39	3462	[illegible]			
StrwbCl	.88	14	348	[illegible]			
Stryker		27	83	[illegible]			
StuDSs		13	340	[illegible]			
Subaru	.38	11	3989	[illegible]			
SuffSBs	.12	17	13	[illegible]			
SumitB	.72	14	915	[illegible]			
SumtHl	.12	30	186	[illegible]			
Unimed			80	12	11½	12	+½
UnFedl	.05e	4	64	19¾	19¼	19⅜	
UnNatl	1.14	13	64	35¼	34⅞	35¼	+1
UnPlntr		15	384	38	37⅞	37⅞	−¼
UnWarn		21	660	36½	35	35⅜	−½
UACms	.04	39	449	18⅞	18¼	18¼	
UBArlz	.72	15	6	33	33	33	+½
UBWash		8	48	32¼	32¼	32¼	
UBCol	1.08	7	155	23¼	23⅛	23¼	+⅛
UCaroB	1.04	10	18	29¼	28¾	29¼	
UCtyGs	1.60	16	243	25	24¼	25	+1¼
UFireCs	.80	16	15	32½	32¼	32½	+½
UHltCr		17	489	8⅞	8⅜	8⅝	−¼
Utdins			63	21¼	20¾	20¾	−⅜
UPresd		11	2	18⅜	18⅜	18⅜	
UtdSvrs	.72	8	30	27	26¾	27	+⅛
WOW			1424	22¼	20¾	22	+1¼
Worthgs	.36	18	1751	18¾	18⅛	18½	+⅜
Wyman	.80		23	17¼	16¾	16¾	
Wyse		15	3245	u20⅝	20	20⅜	+⅜
XLData		14	144	19½	17½	19½	+2½
XOMA			219	12⅝	12¼	12½	
Xicor			3181	8¼	7⅞	8	−⅛
Xidex		28	9634	14	13⅝	13⅞	+⅛
Xyvsn		181	720	15¼	14½	15¼	+1
YlowFs	.62	15	2800	39⅞	38⅞	39⅞	+1¼
ZenNtl	.90	18	390	26	25⅜	25¾	−½
ZionUt	1.44	10	212	42¼	41¼	42¼	+1
Zondvo		24	764	26⅛	26	26	−⅜

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Treas. 12½% 03-05	£119½	+1⅝
Ber. Perkins	318	+55
Beecham	462	+9
Bemrose	206	+15
Bl. Circle	723	+10
Close Bros.	288	+18
Ear. of Witney	180	+14
Elec. House	146	+16
GRE	827	+28
Hawker Sidd.	495	+12
Hill Samuel	443	+10
Horne (R.)	265	+15
Inchcape	553	+20
Jaguar	590	+28
Ladbroke	406	+17
M. Grenfell	395	+10
RMC	704	+22
Redland	432	+15
Royal Insurance	879	+24
Smith (D.S.)	263	+15
Steetley	485	+18
TI	516	+17
Tarmac	458	+14
Ultramar	176	+6
Utd. News.	416	+11
Vickers	431	+18
Westp. Inv. Tst.	75	+8
Whitbread A	281	+9

FALLS

EMAP A	158	−10
NatWest Bk	549	−9

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	17	AAR s	.44	1.6	19	523	u27	26⅞	26⅞	+1⅛
30	21¾	ADT	.92	3.0		701	u30¼	29¾	30¼	+¾
33	16¾	AFG s	.12	.4	15	541	31⅞	31	31⅝	+⅝
32	16¾	AGS			20	289	31½	31	31½	−⅛
15	6¾	AMCA				15	7¼	7¼	7¼	
62⅞	38¼	AMR			13	6616	56⅝	55¼	55⅞	−¾
16½	10	ARX	.70	5.8	11	290	12¼	12	12	−¼
41½	28¾	ASA	2a	5.4		392	38	37	37	−¼
18⅝	9¾	AVX		2.6		301	12¾	12⅛	12½	+⅜
32	26	AZP	2.72	8.7	9	3039	31¼	30⅞	31⅛	
55	31⅝	AbtLb s .84		1.7	22	6358	50	49⅝	49⅝	+⅞
32	25	AccoWd .56		2.1	17	352	26¾	26¼	26¾	+⅝
14⅞	9	AcmeC .40		3.6		99	11⅛	10⅞	11	
9¼	6⅛	AcmeE .32b		4.3	19	39	7½	7¼	7½	+¼
23⅞	17½	AdaEx 4.45e		22.		91	20¾	20½	20⅝	
16⅝	9¾	AdmM s				55	15¼	14⅞	15¼	+¼
20⅜	12⅛	AdvSys .62t		3.4	15	78	18⅝	18¼	18⅝	+⅜
32⅞	12⅞	AMD				9992	15⅝	14⅞	15⅝	+⅝
12⅝	5¾	Adobe				231	7½	7¼	7⅜	
16⅝	13¾	Adob pf 1.84		11.		355	16⅝	16½	16⅝	+⅛
20¼	16⅝	Adob pf 2.40		12.		84	19¼	18½	19¼	+¾
16⅝	11⅛	Advest .12a		.9	10	403	13⅞	13	13⅞	+⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
43⅜	27⅝	PaPL	2.60	6.8	14	2371	38½	38¼	38¼	+⅛
53⅜	39½	PaPL pf4.50		8.8		z280	52¼	51	51	
100	77⅛	PaPL pf8.60		8.9		z180	97⅛	97	97⅛	+⅛
30¼	25⅞	PaPL dpr2.90		10.		9	28½	28½	28½	−⅛
98⅞	72½	PaPL pr8.40		8.8		z770	95⅛	95⅛	95⅛	+⅛
95	69	PaPL pr 8		8.8		z2350	91⅝	91⅝	91⅝	−⅝
59	40¾	Penwlt	2.20	4.1	21	291	53¾	53½	53⅝	+⅝
34¾	24½	Penw pr1.60		5.1		1	31½	31½	31½	+¼
91	48⅛	Pennzol	2.20	3.2	67	2885	69½	66½	69½	+1¾
23¾	18⅝	PeopEn	1.32	5.8	10	488	22⅝	22	22⅝	+¼
48¼	25⅛	PepBoy	.22	.5	29	328	44	43⅜	43⅝	+⅛
35⅝	22	PepsiCo	.64	2.3	16	6972	27⅞	26½	27⅞	+⅛
13⅛	10⅝	PerkF n	.25e	2.2		78	11⅞	11½	11⅝	−⅛
36⅞	23⅛	PerkEl	.60	2.2	18	2635	27⅞	26⅞	27⅞	+1⅛
7⅞	5½	Prmian	.60e	9.2	6	528	6⅝	6½	6½	
20⅞	12	PeryDr	.22	1.6	23	184	13⅝	13⅜	13⅝	+¼
35¾	22⅛	Petrie s	.70	2.5	17	744	28⅜	27¼	27⅞	−⅜
31⅛	22¾	PetRs	4.34e	15.		45	29¾	29⅝	29¾	+⅜
20	16	PetRs pf1.57		8.3		56	19	18⅝	18⅞	+¼
3	1	Ptrinv				85	1¼	1¼	1¼	−⅛
72⅞	46¾	Pfizer	1.64	2.5	17	3868	66	65	66	+¾
32½	16	PhelpD			25	1314	23⅜	22⅝	23⅜	+⅝
63	48¾	Phelp pr	5	8.6		42	58¾	58¼	58⅝	−⅜
24⅛	16⅞	PhilaEl	2.20	9.1	9	4727	u24¼	23¾	24¼	+¼
43	30	PhE pfA3.80		9.5		z200	40½	40	40	+⅛
46	35½	PhE pfC4.40		9.8		z560	45	45	45	−¼
51⅞	37	PhE pfD4.68		9.4		z150	50	48½	50	+1½
78	58	PhE pfE 7		9.1		z80	77	77	77	+1¼
95	69	PhE pfG8.75		9.6		z180	91	91	91	+1
105	100½	PhE pfS9.50		9.3		z300	103½	102	102	−3

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅜	10⅝	Sabine	.04	.3		177	14¾	14⅝	14⅝	−⅛
15½	10⅞	SabnR	1.48e	11.	8	40	13	12⅞	13	+⅛
16½	10	SfgdSc			16	159	14½	14	14⅝	−⅛
5¾	2¾	SfgdS wt				21	3½	3⅜	3½	
38¾	27	SaftKln	.32	.9	28	279	35	34½	34⅞	
39	22¼	StJoLP	1.88	5.0	11	85	38¼	37½	37¾	−⅜
17½	8	vjSalant			12	100	12¼	11⅝	11¾	−½
69⅛	35¼	SallieM	.36	.5	24	977	u70	69⅞	69⅞	+⅝
52¼	49⅛	SallM pf2.56e		5.1		120	50⅝	50⅝	50⅝	+¼
50⅜	37⅜	Salomn	.64	1.5	11	6310	42¾	42¼	42½	+⅛
42½	28¾	SDieGs	2.38	6.6	10	5221	36⅝	36	36¼	
8⅞	6⅞	SJuanB	.45e	5.8		55	7⅞	7¾	7¾	
12⅝	8¼	SJuanR	2c			58	9	8¾	9	+⅛
32¾	23⅞	SAnitR	2.04	6.6	18	55	31	30½	30¾	+¼
25⅜	16¼	SFeEP	n2.86	15		209	19½	18¾	19¼	+½
39⅝	26¼	SFeSoP	1	3.2	20	2854	31⅛	30½	31⅛	+⅜
37⅞	23½	SaraLee				2204	u38⅜	37⅞	38⅜	+⅝
19	16	SaulRE	.20	1.2	43	1	16⅝	16⅝	16⅝	+¼
23⅛	10¾	SavEP s	.88	4.2	11	114	21⅛	20¾	21	
14½	11¼	SavE pf1.28		9.7		8	13¼	13¼	13¼	+¼
4½	1⅝	Savin				113	2½	2⅜	2½	
6½	3⅛	Savin pf				8	3⅝	3⅝	3⅝	

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32⅛	23	TriCon	7.93e	25.		590	32	31⅞	32	−⅛
35¾	28⅛	TriCn pf2.50		7.5		1	33½	33½	33½	+⅛
31¾	18¼	Triain s	.12	.4	8	368	28⅝	28	28¼	+⅛
29¾	18	Trind pf.12		.5		159	26¼	25⅞	26¼	+½
78	49½	Tribune	.20	1.8	9	1695	66	64¼	66	+2
4¼	1⅜	Tricntr	.04e	1.7		1592	2½	2⅜	2⅜	
7⅞	4⅞	Trico	.20	2.6	16	293	7⅝	7⅝	7⅝	−⅛
20	13¼	Trinty	.50	2.7	50	900	18⅞	17⅞	18⅝	+⅞
54⅛	31	Trinov s	1	2.0		400	51	48¾	50¾	+2¼
121½	78½	Trinv pf4.75		4.3		12	109½	109	109½	+1
26⅜	13⅝	TritEng	.10b	.6	12	118	15½	15¼	15½	+⅛
28¼	20¾	TritE pf	2	8.2		79	24½	24¼	24¼	−¼
65	41	TucsEP	3.30	5.3	14	393	62⅝	61¾	62½	+⅛
27¾	9⅞	Tultex s	.32	1.5	17	1388	21⅝	19¾	20¾	−½
18¾	14¼	TwinDs	.70	4.6		13	15⅝	15¼	15¼	−⅛
44	23⅜	TycoL s	.40	.9	30	3239	u46	44¼	45	+1
17¾	11¼	Tyler	.40	3.0	19	127	13¼	13	13¼	+⅛
		U U U								
64¾	46¼	UAL	1	1.9		7882	54½	53½	53½	−¾
27⅞	15¼	UCCEL			27	162	27	26¾	27	+¼
29¾	15	UDC s	2	9.4	6	66	21½	21⅛	21⅜	−⅛

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49	29	Wlwth s1.12		2.6	14	3984	43⅛	41⅞	43⅛	+1⅛
137	83	Wolw pf2.20		1.8		5	121	121	121	+3⅛
5¼	2	WrldAr				280	5⅛	4⅝	5⅛	+½
19¾	14⅜	WrldVl n				87	15⅞	15½	15⅞	+⅛
52	27½	Wrigly s	.98	2.0	20	281	49	48¼	49	
4⅞	1⅜	Wurltzr				73	3⅜	3⅛	3⅛	−¼
17½	11	WylaLb	.32	2.2	31	247	15	14¾	14¾	
25⅞	16	Wynns	.60	2.7		46	22	21½	21⅞	+¼
		X Y Z								
72¼	48⅝	Xerox	3	4.7	14	4946	63½	62¾	63½	+¼
58¼	54	Xerox pf5.45		9.8		475	55¾	55½	55¾	+¼
28¾	21⅛	XTRA	.64	2.4		162	27¼	27	27	−⅜
18¾	13½	Yorkln n				206	18	17⅝	17¾	−¼
50¼	28½	ZaleCp	1.40	2.8		2	49½	49½	49½	
6⅞	2¼	Zapata				568	3¾	3¼	3½	+⅛
43⅞	20¾	Zayre s	.32	1.2	19	2172	28¼	25⅝	26⅛	+⅝
17	9¾	Zemex	.40	3.1	20	70	13	12⅞	12⅞	
29⅞	17⅞	ZenithE				1401	24⅜	23¾	23⅞	−½
18¼	8	ZenLb s			95	828	9	8½	8¾	−⅛
22⅜	12⅝	Zero s	.20	1.3	16	186	16	15⅝	16	+⅝
45¾	32¾	Zurmin	1.32	3.2	15	156	40¾	40	40⅝	+½
10⅜	8¾	Zweig n.10e		1.0		820	9⅞	9¾	9¾	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Pause taken in climb to 2,000 level

AFTER drifting for most of the day, blue chip stocks managed to haul themselves over the Dow 2,000 level in the last half hour of Wall Street trading yesterday to set a record for the fourth day running, *writes Roderick Oram in New York.*

The credit markets remained subdued with prices drifting lower on light trading.

The Dow Jones industrial average closed up 8.3 at 2,002.25 although blue chips generally had a rather mixed day. AT&T slipped $¼ to $25½, Eastman Kodak was unchanged at $71½, International Paper gave up $1 to $80, Merck put on $1½ to $128½. Procter and Gamble rose $1 to $80 and Westinghouse Electric edged up $⅜ to $62¼.

Trading volume continued heavy in all markets with New York Stock Exchange volume hitting 195.5m shares as rising issues outpaced declining by a two-to-one margin. Buying strength was apparent across a broad range of stocks with the NYSE composite index rising 1.12 to a record 147.55. Secondary stocks were also buoyant with American Stock Exchange and over-the-counter composite indices advancing strongly.

The highly mixed pattern of department store sales in December emerging from statistics released yesterday brought conflicting responses from retail sector stocks. Wal-Mart reported a 36 per cent gain in sales but its shares slipped $⅜ to $47⅞, Woolworth's sales rose 12 per cent and its shares $1⅛ to $43⅜, K mart (up 8.7 per cent) gained $⅛ to $47⅞, Federated Department Stores (up 7.5 per cent) slipped $¼ to $88, Sears, Roebuck (up 4.8 per cent) slipped $⅛ to $43⅜ and J. C. Penney (up 2.2 per cent) was unchanged at $78⅞.

General Motors gave up $1 to $68⅞. Salomon Brothers' analyst cut his earnings forecast and switched his recommendation to neutral from buy.

Three oilfield service companies advanced following a favourable brokerage research report. Schlumberger leapt $1⅞ to $34½, Haliburton advanced $1 to $27 and Baker International edged up $⅛ to $13.

Diamond Shamrock eased $¼ to $14¼. Mr T. Boone Pickens, the Texas oil man, offered on Wednesday to bout 20m shares in the oil group for $15 each.

Oil stocks generally were mixed despite continuing firmness of oil futures prices. Exxon was unchanged at $73⅜, Chevron gained $1¼ to $48⅜ Atlantic Richfield jumped $1⅜ to $65¼, Mobil advanced $⅜ to $40⅞ and Texaco was unchanged at $37⅞.

Bristol-Myers gained $1⅜ to $88¼ after an analyst upgraded his recommendation of the drug group's stock.

Coleco dropped $⅛ to $9. The toy company said it suffered a "very large loss for both the fourth quarter and year" because of a drop in sales of Cabbage Patch dolls.

Commodore International gained $½ to $10½. Its Commodore Business Machines subsidiary is introducing two low-cost IBM compatible computers for business, educational and home users. Tandy, which has been enjoying considerable success with a new computer in the same market, slipped $⅜ to $47½.

Technology stocks were one of the stronger sectors yesterday. Motorola gained $1⅜ to $39¼, Intel advanced $1 to $24¼ in the over-the-counter market, Digital Equipment was up $1⅛ to $112½ and Texas Instruments soared $4¼ to $124¼. In contrast, IBM fell $⅜ to $122⅞.

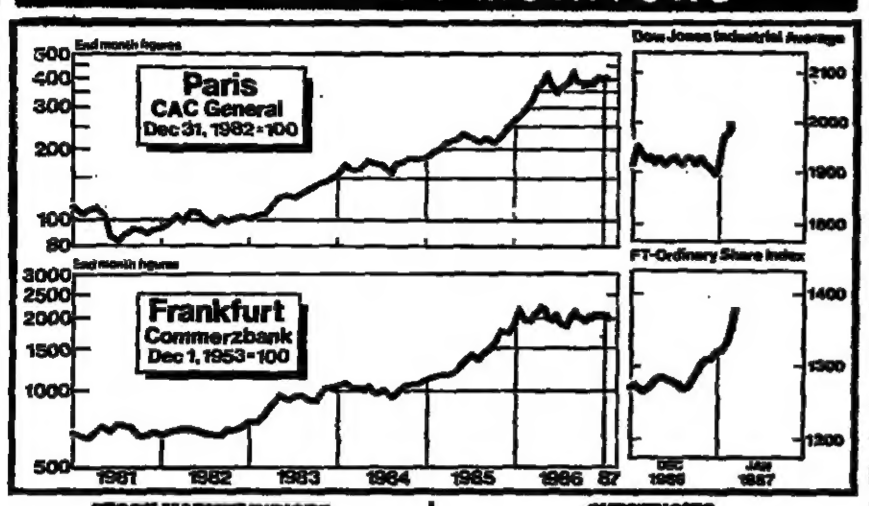
Credit markets turned mixed and trendless again yesterday after a late afternoon spurt on Wednesday prompted by short covering as prices of futures contracts rose.

The cash price of the 7.50 per cent benchmark Treasury long bond was marginally higher in the morning but slipped back to a loss of ⅛ of a point at the end of the day to 102⅜ at which it yielded 7.31 per cent.

Three-month Treasury bills edged up three basis points to 5.43 per cent, six-month bills slipped two basis points to 5.44 per cent and year bills were unchanged at 5.46 per cent.

Somewhat against expectations, the Federal Reserve supplied additional liquidity with $2.5bn of customer repurchases. By early afternoon the Fed funds rate eased to 5⅞ per cent from its 6 per cent opening level.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Jan 8	Previous	Year ago
DJ Industrials	2,002.25	1,986.92	1,526.61
DJ Transport	843.27	840.24	693.49
DJ Utilities	218.16	215.51	174.75
S&P Composite	256.91	254.32	207.97
LONDON			
FT Ord	1,372.5	1,353.0	1,106.1
FT-SE 100	1,733.1	1,722.2	1,404.2
FT-A All-share	863.56	856.57	856.57
FT-A 500	947.97	939.90	939.90
FT Gold mines	319.6	316.3	280.2
FT-A Long gilt	9.92	10.04	10.58
TOKYO			
Nikkei	18,778.74	18,842.37	13,056.4
Tokyo SE	1,582.48	1,587.54	1,037.91
AUSTRALIA			
All Ord.	1,529.9	1,534.1	1,041.6
Metals & Mins.	751.3	754.8	517.0
AUSTRIA			
Credit Aktien	227.57	227.86	254.720
BELGIUM			
Belgian SE	3,997.42	4,006.40	2,805.01
CANADA			
Toronto			
Metals & Minls	2,056.20	2,058.70	2,102
Composite	3,175.60	3,155.90	2,859.8
Montreal			
Portfolio	1,594.03	1,584.93	1,139.15
DENMARK			
SE	193.63	192.33	231.98
FRANCE			
CAC Gen	407.90	405.50	282.3
Ind. Tendance	103.00	102.60	168.9
WEST GERMANY			
FAZ-Aktien	658.04	669.86	703.0
Commerzbank	1,987.50	2,029.00	2,098.8
HONG KONG			
Hang Seng	2,603.33	2,607.11	1,826.84
ITALY			
Banca Comm.	714.08	728.73	463.53
NETHERLANDS			
ANP-CBS Gen	276.50	278.80	109.6
ANP-CBS Ind	269.20	272.10	254.0
NORWAY			
Oslo SE	364.95	368.94	398.28
SINGAPORE			
Straits Times	905.38	893.25	644.89
SOUTH AFRICA	Jan 8	Prev	Year Ago
JSE Golds	—	2,027.0	1,233.6
JSE Industrials	—	1,427.0	1,105.6
SPAIN			
Madrid SE	216.89	217.39	103.07
SWEDEN			
J & P	2,421.54	2,458.06	1,907.23
SWITZERLAND			
Swiss Bank Ind	597.40	598.30	625.5
WORLD	Jan 7	Previous	Year ago
MS Capital Int'l	369.3	368.20	256.0

COMMODITIES

(London)	Jan 8	Prev
Silver (spot fixing)	368.55p	364.75p
Copper (cash)	£919.50	£919.75
Coffee (March)	£1,632.00	£1,655.50
Oil (Brent blend)	$18.325	$18.10

GOLD (per ounce)

	Jan 8	Prev
London	$401.25	$400.00
Zürich	$403.25	$400.75
Paris (fixing)	$403.43	$399.40
Luxembourg	$401.80	$400.25
New York (Feb)	$403.00*	$403.20

CURRENCIES

	US DOLLAR		STERLING	
(London)	Jan 8	Previous	Jan 8	Previous
$	–	–	1.4745	1.4710
DM	1.9205	1.9275	2.83	2.835
Yen	158.25	158.56	232.75	232.50
FFr	6.40	6.4225	9.4375	9.4475
SFr	1.6105	1.6205	2.375	2.385
Guilder	2.1680	2.1755	3.1975	3.20
Lira	1.359	1,354	2,004	1,992
BFr	40.10	40.15	59.10	59.05
C$	1.3705	1.3715	2.0210	2.0200

INTEREST RATES

Euro-currencies (3-month offered rate)	Jan 8	Prev
£	11	11⅛
SFr	3$^{15}/_{16}$	4⅛
DM	4⅜	4$^{13}/_{16}$
FFr	10	11
FT London Interbank fixing (offered rate)		
3-month US$	6$^{5}/_{16}$	6⅜
6-month US$	6¼	6$^{5}/_{16}$
US Fed Funds	5$^{15}/_{16}$*	6$^{1}/_{16}$
US3-month CDs	5.70*	6.075
US3-month T-bills	5.43*	5.57

US BONDS

Treasury		January 8*		Prev	
		Price	Yield	Price	Yield
6⅝	1988	100 $^{7}/_{32}$	6.181	100 $^{7}/_{32}$	6.215
7¼	1993	100$^{23}/_{32}$	6.879	100$^{19}/_{32}$	6.913
7⅜	1996	101$^{11}/_{32}$	7.024	101$^{10}/_{32}$	7.059
7¼	2016	101$^{11}/_{32}$	6.304	101$^{22}/_{32}$	7.35

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Jan 8 Day's change	Yield	Day's change
1–30	161.73	+0.20	6.87	–0.03
1–10	153.43	+0.14	6.59	–0.03
1– 3	142.90	+0.10	6.28	–0.03
3– 5	156.29	+0.17	6.66	–0.03
15–30	191.31	+0.42	7.79	–0.02

Source: Merrill Lynch

Corporate	January 8*		Prev	
	Price	Yield	Price	Yield
AT & T				
3⅞ July 1990	92.122	6.45	91.927	6.50
SCBT South Central				
10⅞ Jan 1993	106.125	9.54	106.125	9.54
Phibro-Sal				
8 April 1996	100	8.00	99.338	8.10
TRW				
8⅞ March 1996	104.5	8.042	103.795	8.15
Arco				
9⅞ March 2016	112.75	8.866	112	8.731
General Motors				
8⅝ April 2016	95	8.593	94	8.892
Citicorp				
9⅞ March 2016	103	9.078	102	9.175

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	101–10	101–19	101–04	101–00
US Treasury Bills (IMM) $1m points of 100%				
March	94.84	94.87	94.83	94.82
Certificates of Deposit (IMM) $1m points of 100%				
March	–	–	–	94.48
LONDON				
Three-month Eurodollar $1m points of 100%				
March	94.10	94.11	94.07	94.03
20-year Notional Gilt £50,000 32nds of 100%				
March	115–17	115–18	114–07	114–08

* Latest available figures

TOKYO

Blue chips retreat on trade fears

BLUE CHIPS, financials and drugs led Tokyo share prices down further yesterday despite the advance on Wall Street *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average fell 63.63 to 18,778.74. Volume expanded from 548.60m shares on Wednesday to 672.68m shares because of heavy trading in low-priced large-capital issues like steels. Losers led advances 439 to 410, with 141 issues unchanged.

Many blue chips fell due to the introduction of a series of trade bills in the US Congress and the continued strength of the yen, despite intervention by the Bank of Japan to prop up the dollar.

Matsushita Electric Industrial dropped Y60 to Y1,960, slipping below Y2,000 for the first time in about a month. NEC and Hitachi lost Y40 each to Y1,960 and Y1,040 respectively, while Sony closed Y60 lower at Y3,310. Toyota Motor fell below Y2,000 to Y1,970 with an Y80 decline on a newspaper report that its recurring profit for the business year ending in June is expected to plunge to around Y260bn, about half the previous year's level.

Financial issues, which played a major part in boosting the market indicator to an all-time high on Tuesday, declined almost across the board. Perpetual bonds plunged on the Euromarket on Wednesday, arousing investor fear that profits of trust banks and other financial institutions with large holdings could be hurt. Mitsibishi Bank dropped Y60 to Y2,130, Sumitomo Trust & Banking Y40 to Y2,950 and Toyo Trust & Banking Y70 to Y1,970.

Non-life insurances turned lower, with Tokio Marine & Fire Insurance dipping Y10 to Y1,880 and Sumitomo Marine & Fire Insurance Y40 to Y1,080.

With blue chips and financial stocks entering an adjustment phase, investor interest shifted to low-priced large-capital stocks. Nippon Steel topped the active list with heavy trading of 85.92m shares, and added Y9 to Y184. Nippon Kokan rose Y4 to Y234, while Ishikawajima-Harima Heavy Industries finished Y9 up at Y415. These stocks had remained low since hitting record highs in the bull market last August, market analysts said.

Elsewhere, Victor (JVC) advanced Y50 to Y2,750 and Nippon Hodo Y60 to Y2,580, while Dainippon Pharmaceutical shot up Y190 to Y3,490.

Bond prices firmed, reflecting the upsurge on the US bond market. The 5.1 per cent government bond due in June 1996 was traded heavily and its yield fell sharply from 5.210 per cent on Wednesday to 5.160 per cent. Analysts said the bullish mood was supported by purchases of low-priced issues by some city banks, non-life insurance companies and regional banks.

AUSTRALIA

PROFIT-TAKING took Sydney lower in a technical reaction to seven consecutive record highs. The All Ordinaries index ended 4.4 down at 1,529.1 after dipping further during the day, and gold and transport shares were particularly hit.

There was also some disappointment that rumoured takeover bids in the industrial and media sectors had so far failed to emerge.

In corporate developments, TNT, which might increase its holding in Airborne Freight of the US, lost 6 cents to A$4.12. Industrial Equity eased 8 cents to A$5.86 on speculation it may launch a bid for British merchant bank Hill Samuel.

Bond Corp Holdings added 1 cent to A$2.76 in advance of its bid for a large stake in HK-TVB of Hong Kong.

EUROPE

Tug of war over rates takes its toll

THE TUG OF WAR between West Germany and France over exchange rates had a dramatic impact on trading in Europe yesterday.

Frankfurt suffered a sharp fall as investors off-loaded stock on fears of an imminent revaluation of the D-Mark, according to brokers. The magnetic influence of record highs in London and New York also may have made the W. German market less attractive to some investors, dealers suggest. The Commerzbank index, calculated at midsession, dropped 41.5 to 1,987.5.

Further falls are expected if Wall Street buyers take the Dow Jones industrial average across the psychologically important 2,000 barrier.

The bond market firmed on the speculation of an EMS realignment and gains of up to 30 basis points were achieved in active dealing.

The mood was not dampened by official assertions that there was no economic need for a revaluation of the D-Mark. The Bundesbank was particularly active with its market balancing operation amounting to sales of DM 208.5m worth of paper compared with purchases of DM 44.8m on Wednesday. The average yield on public authority paper slipped one basis point to 5.84 per cent.

Paris was less downhearted, with prices encouraged by the overnight record run on Wall Street.

Among leading gains were Redoute, upm FFr 10 to FFr 2640, Moulinex FFr 2.75 higher at FFr 89.60 and BSN, which jumped FFr 55 to FFr 4,540 on its plans to absord Générale Biscuit.

Declining stocks, although less numerous, included Bongrain down FFr 45 to FFr 2,450 and Dassault off FFr 30 to FFr 1,270 aheab of reports that it was negotiating a major contract with Iraq.

Oils managed modest gains with Total up FFr 4 to FFr 435 and Elf Aquitaine FFr 6.50 higher at FFr 325.70.

Amsterdam finished unsettled over speculation of an upward revaluation of the guilder within the EMS.

International investors kept to the sidelines amid growing concern over corporate profitability of Dutch groups with large US interests.

Akzo, which forecast unchanged profits for 1986 and this year, retreated an early Fl 10 but closed 50 cents down at Fl 148.80.

Stockholm fell again and bond prices dropped amid growing pessimism over Monday's budget. Yields on government bonds have risen over 60 basis points since Wednesday while a further 1.5 per cent of the stock market capitalisation was lost yesterday.

Brussels was mixed in trading depressed by currency market uncertainties.

Petrofina managed a modest recovery of BFr 90 to BFr 9450 on small volume.

Zurich stocks turned mixed while bonds firmed in lively trading fuelled by Wednesday's ¼ point cut in customer time deposit rates by the four main banks.

Milan was sharply lower ahead of next Wednesday's settlement day and on foreign divestment amid pressure on the lira in the currency markets.

Madrid edged lower although banks advanced. **Oslo** weakened in lacklustre trading.

SINGAPORE

ANOTHER BOUT of buying, with foreign investors well represented, helped Singapore to take over as the strongest performer in the Far East.

Blue chips benefited most from bargain-hunting and short-covering and the Straits Times industrial index rose 12.13 to 905.38.

The session was fairly active, with 21.9m shares changing hands compared with 51.3m on Wednesday when a block deal for Sealion shares inflated volume.

Sealion Hotel was again active, finishing 5 cents higher at 85 cents on 3.7m shares traded.

Other blue chip advances included Haw Par, up 14 cents at S$3.04, Sime Darby, 2 cents at S$1.98 and Singapore Airlines, 25 cents at S$9.55.

CANADA

AFTER a very strong start, Toronto eased slightly while holding at record levels as Wall Street turned hesitant.

Trading was very active, with all major sectors moving higher.

Among precious metals boosted by firmer bullion prices, Dome Mines added C$½ to C$11⅞ and Placer was up C$½ at C$33.

Energy shares followed the lead set by industrials.

Montreal was also higher and most sectors strengthened.

LONDON

Fresh high as buying spreads

WIDER buying took London shares to fresh highs although early gains were pared when Wall Street opened erratically. The FT-SE 100 index rose 10.9 to a record 1,733.1, after touching 1,745.8 earlier in the day. The FT Ordinary index was 19.5 higher at 1,372.5, still 50 points short of its all-time high.

Buying interest spread to domestic engineering and consumer stocks as well as established multinational favourites.

Among pharmaceuticals, Beecham added 9p to 462p on 5.4m shares traded. Wellcome 6p to 271p on 13m shares and Boots 2½p to 244½p, also on 13m shares.

Jaguar gained 28p to 590p on 6.9m shares, Hanson Trust 2p to 201p on 19m shares and Cable & Wireless 1p to 348p on 6.4m shaes.

Government bonds had a good day, helped by modest retail support, some of it apparently from New York.

Chief price changes, Page 41 Details, Page 40, Share Information Service, Pages 38–39.

HONG KONG

AFTER a fluctuating session, Hong Kong ended steady or narrowly mixed, with the Hang Seng index down 3.78 to 2,603.33 and the Hong Kong Stock Exchange index 2.22 lower at 66.65.

An initial boost came when share trading in Bond International, HK-TVB and Shaw Brothers was suspended ahead of news that Australian entrepreneur Mr Alan Bond had mounted a bid for a major stake in HK-TVB, of which 20 per cent is held by Shaw.

SOUTH AFRICA

A REBOUND in Johannesburg took share prices to a steady to higher close, with the all-gold share index up 46 at a fresh peak of 2,073. Last Tuesday the index hit its previous record of 2,066.

Among golds, Driefontein added R1 to R74.50. The company reported slightly higher net profits in the second quarter.

Buffelsfontein gained R1.50 to R81.50, while other minings saw De Beers 45 cents higher at R37.25 and Rustenberg Platinum R1.50 ahead at R50.